

DUN'S REVIEW

Published by
DUN & BRADSTREET, INC.
ESTABLISHED 1841

JAN 27 1941

XLVIII of a series of Century old cities - Jersey City



Thirty five cents

January 1941



This Month's Cover

JERSEY CITY

From 1630 to 1804 the patroonship of Communipaw, or Paulus Hook, tilled its acres quietly, facing New York City. Washington Irving mentioned it as a last stronghold of the old Dutch customs. In 1655 it had earned an historical footnote when an Indian attack scared the residents so badly they holed up in Manhattan for three years; and in 1779 Light Horse Harry Lee rode over a British garrison at Paulus Hook. In 1804, it had fifteen residents. Then three lawyers bought the village and laid out Jersey City. From a sandy peninsula which was an island at high tide, it became a shipping and manufacturing center. On this month's cover print it appears as lithographed in 1866 by Endicott & Company, New York City. The lithograph is from the Phelps Stokes Collection, New York Public Library. At the left are the chimneys of the New Jersey Glass Works. Alongside these are the Cunard docks, Kingsland & Company Oil Manufactory, and the Hope Mills. The tall steeple at the center is that of the First Presbyterian Church, erected on Wall Street, New York City, in 1835 and moved later to Jersey City. To the right is Colgate's Soap and Candle Manufactory. Then comes the shed-like New Jersey Railroad depot, flanked by three iron foundries of Slater & Steele, Atlas, and Fulton. At the extreme right is the Hudson River Cement Works. . . . Today Jersey City has a population of 301,012. The 1937 census tallied 515 manufacturing plants producing goods worth \$270,840,745. Leading industries include shipping, meat packing, paper boxes, iron and steel working, paint, soap, drugs and medicines.



Bus. Adm. L. 6.



PARK AVENUE AT GRAND CENTRAL TERMINAL, NEW YORK CITY—PHOTOGRAPH BY LAWRENCE D. THORNTON

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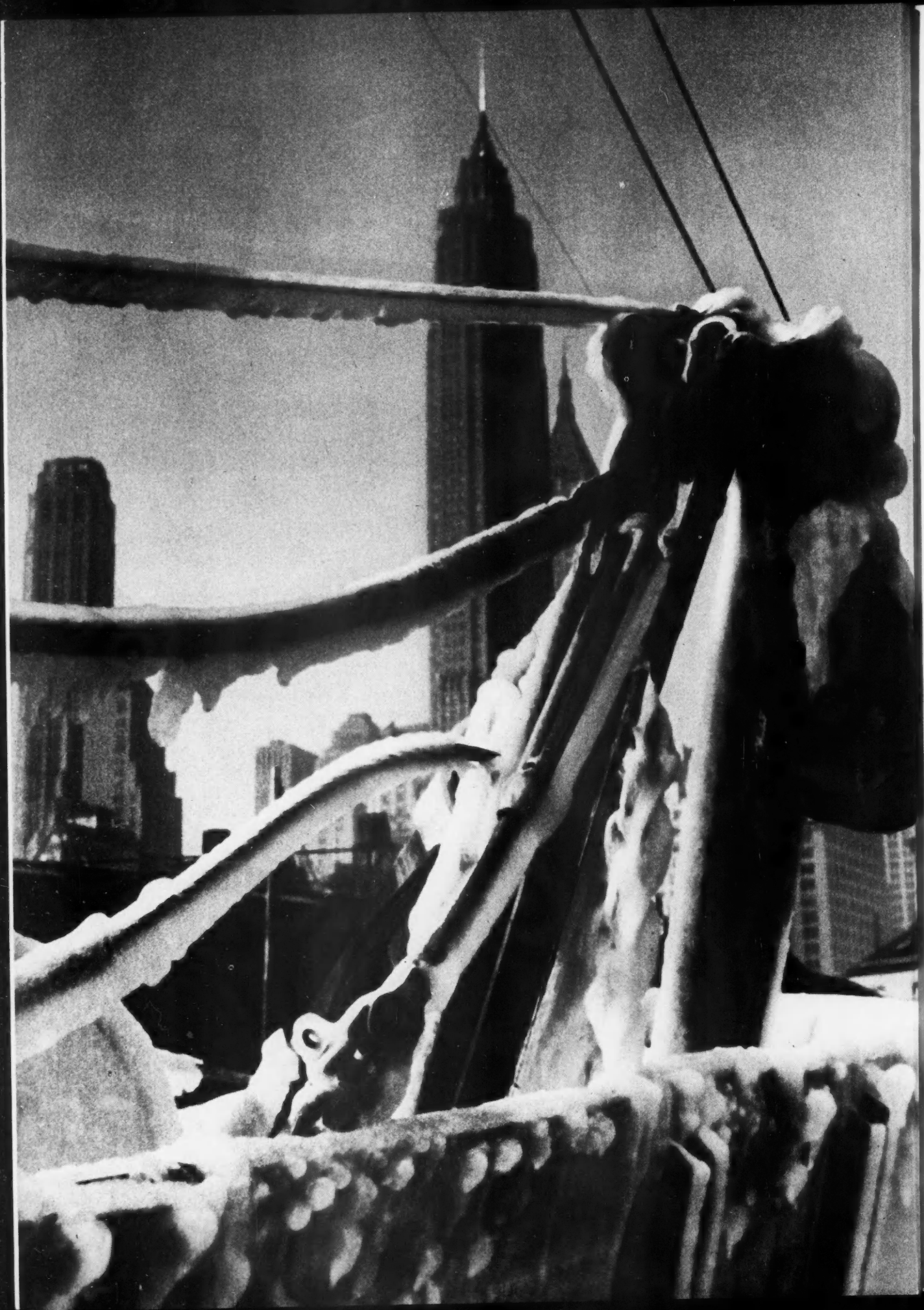
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McLaughlin Air Service. . . . Frontispiece by Harris & Ewing. . . . Printed in U. S. A.





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As everything we value most in life may be at stake in 1941, we should concentrate on the vital issues immediately before us and not be distracted by those problems, which seemed of major importance until dwarfed by the imminence of the threat to our existence as a free Nation, which has confronted us for the past few months.

WHILE at the close of 1940 it is extremely difficult to determine with any degree of certainty either the trend of economic conditions in this country or of world events for the year 1941, it is possible to point out the major international eventualities which may occur and on each primary premise draw a deduction as to its possible effect on our economy.

But before attempting even that type of conjecture regarding domestic conditions for the coming year, we should re-appraise three fundamental factors which, before the outbreak of the war in Europe, were the dominating influences in our calculations regarding the future trend in this country.

The National Debt

The weight which has been given to the existing national debt, which reached an all-time high in 1940, may reasonably be re-assessed in the light of the emergency.

While the amount which the debt will ultimately reach cannot be predicted at this time, the fact that the debt must be increased to provide for adequate national defense is universally accepted as an absolute necessity, and there is no sound reason why, for the present at any rate, there should be forebodings regarding the effect of substantial additional borrowings for defense purposes.

The maximum debt, which the Government may incur is not a vague indeterminate figure, but may be calculated with the same precision and on the same fundamental principles, even though the amounts involved are of far greater magnitude, as those applied to estimating the debt limit of any of our largest business enterprises.

And on that basis the amount of debt which can be borne by this country may be measured by the ability of the Government to pay the prevailing interest charges and moderate amortization on the funds borrowed.

Under present conditions the debt recently suggested by the Secretary of the Treasury is not one which should imply the probability of currency, credit, security, or commodity inflation.

One Budget Balanced

As the defense program will require large expenditures in excess of the ordinary disbursements of the Government, two budgets may be required to clarify the national financial operations.

It is entirely within reason to suppose that the ordinary budget will be brought into balance for the fiscal year ending June 30, 1942, as receipts will unquestionably increase and disbursements decrease as a result of the defense activities.

With the ordinary operations of the Government in balance or showing a surplus in 1942, the additional costs of the defense program could best be properly shown in a separate budget, which would account for the specific income from taxes imposed for that definite purpose.

This method of accounting would give added and sustained confidence to the people of this country by presenting a clear picture of what would otherwise be an extremely intricate and confusing exhibit of financial operations.

To accomplish that objective, arbitrary but appropriate allocations of income and disbursements would be required to draw a fairly accurate division between the two budgets.

Inflation

The question of "inflation" is one which has probably disturbed the people of this country, as far as finance is concerned, more than any other single subject, and the word inflation has been more widely misused, misinterpreted and misunderstood than any other one expression.

To the average person inflation conveys the thought of a rapid increase in the cost of things measured by a corresponding decrease in the purchasing power of currency.

The size of our national debt and the fact that additional heavy obligations will inevitably be incurred to carry on the defense program has brought the discussion of inflation again prominently before the public.

Taking all of the circumstances into consideration at this time, there is a negligible likelihood that we shall be unduly disturbed by inflationary tendencies within the next year at least.

(a) We will not have currency inflation as long as the Government does not issue currency without security and there is no logical reason why that course should even be contemplated.

The authority to issue \$3,000,000,000 in greenbacks temporarily vested in the President, may be revoked.

The power granted the President to devalue the dollar, expiring on May 1, 1941, will probably be allowed to lapse as the reasons prompting the granting of that authority no longer exist.

(b) There is little to fear from credit inflation because the ingredients for this type of inflation have been available for the past five years and so far have had a reverse effect.

(c) It is improbable that we shall have commodity inflation excepting to a moderate degree even though shortages of certain materials will occur.

This statement is made because of the broad merchandising experience in checking the spread in costs, and the understanding of the significance of timing in buying on the part of those responsible for the procurement of the products and commodities required by the Government.

(d) We should not have serious wage inflation for two basic reasons:

There will not be justification for demands for substantial wage increases (a) when commodity prices are not inflated and when the cost of living does not rise materially, (b) when any extraordinary profits of industry or increased incomes of individuals will be taxed at even higher rates than those now in effect to provide the major source of Government income to defray the abnormal expenses incurred for defense purposes.

(e) We should not have security value inflation as the operating results of the financial, producing and distributing concerns of this country are currently known to the investing public, and their securities will not yield more than moderate returns on the investment because of the taxes which have been and will be imposed to provide for defense necessities.

These factors largely eliminate the speculative aspect of the market.

International Questions

These are the four major possibilities in the international situation referred to:

1. The Axis powers may win the war.
2. England and her Allies may win the war.
3. There may be a negotiated peace.
4. United States may enter the war.

In the event that either the first (1) or the fourth (4) eventuality occurs this country will continue to spend an immense amount for armament. Goods for civilian requirements, while restricted in some lines, will be in unprecedented demand.

Business will be extremely active even though profits will be largely absorbed by taxes to pay the cost of armament.

This country will be on a higher income basis than ever before as the present wage level is at the peak for all time and labor of all types will be fully employed.

Should the second (2) or third (3) possibility take place, the reaction of business will probably be somewhat the same as it was directly after the Armistice was signed in 1918, to be followed by intense activity for the same reasons as those which stimulated business from 1919 on until the depression.

Afterwards

Should the Axis powers win the future would be too intricate to analyze with any degree of accuracy at the moment.

So every resource of this country, that is its work man-power, its wealth and its vital energies must be exerted to prevent that catastrophe. For irrespective of the controversies regarding the ways and means of effectuating this purpose, the fact remains that, knowing that our existence is at stake, our common sense should convince us that our chances of preventing this disaster are infinitely better while England with her Allies and China are formidable participants in the war than if this hemisphere were surrounded by unchecked Axis powers.

With the war at an end under any other circumstances than an Axis victory or a negotiated peace based upon Nazi domination of Europe and Japanese domination of the Far East, the liquidation of the armament program in this country may conceivably be on an unprecedentedly orderly basis.

This assertion is made for the following reasons:

1. With inflation kept within reasonable limits, deflation will be far less of a problem than it has ever been under like circumstances in the past in this country.

2. As the financing of the defense program will probably be accomplished through higher taxes and the sale of bonds or certificates of indebtedness, particularly to all types of investors other than banks, these securities when purchased out of current income should serve as an Emergency Surplus Reserve to tide wage earners, people of all income groups and private enterprises over the period when the armament program tapers off and normal production picks up.

The Emergency Surplus Reserve feature of these issues cannot be too emphatically emphasized.

3. Physical plant and productive capacity expansion due directly to the defense program may be completely liquidated, as far as the financial aspects are concerned, without substantial loss to the owners

because of the five-year depreciation stipulation and the arrangement entered into between the Government and the concerns involved for the acquirement of the expansion facilities or their reversion to the Government.

4. The question of the employment of labor during the transition period will undoubtedly be the most difficult one to solve, but may be materially eased if the ordinary budget is drastically cut while the defense program is in progress by the reduction to a minimum of the Public Works Program.

Summary

Even though events of a startling nature occur week after week, we should not lose sight of several vital factors which should serve as our basis for reasoning in determining the ways and means of attaining our ultimate objective—the defeat of the Axis Powers without active participation in War—

1. While Great Britain holds out and the British Fleet is intact, this hemisphere will not be invaded by the Axis Powers in the East.

2. While our Fleet, which is the most formidable in the world, is in the Pacific Ocean this hemisphere will not be invaded from the West.

3. On these assumptions we should do everything in our power to enable Great Britain to carry on the war to a successful conclusion, and to keep the British Fleet in existence. By following that course our Fleet will be able to hold our position in the Pacific Ocean.

4. Irrespective of German accomplishments since the fall of France, England, relative to Germany, is far stronger today than at the time of the collapse of France, for England then was practically unprepared to repel invasion excepting by action of the Fleet.

5. As Great Britain is stronger today, compared with Germany, than directly after the debarkation at Dunkerque, it will be far more difficult for Germany to invade England successfully today than it would have been at any time during the late Summer and Fall of 1940.

6. As additional taxes will be imposed, probably both on the profits of business and the incomes of individuals, to finance the Defense Program it seems advisable that the increased percentages of taxes for the year 1941 should be determined as soon as possible.

7. As far as can be foreseen, business should be better during the year 1941 and the National income higher than in any recent years.

8. As business earnings and individual incomes will be higher, even though more heavily taxed than ever before, the Government should make every effort to influence business enterprises and the people of this country to set aside a moderate amount each month as an Emergency Reserve Surplus, in the form of Government Bonds, to serve as a shock absorber when the Emergency is over.

9. While the Defense Program may not in some respects be as far advanced as it had been planned that it would be at this time, there should be no doubt but that American genius and driving power and organizing ability will produce the materials and the products required to safeguard this country against attack.

For the destiny of the United States is as it always has been in the past—to preserve forever the freedom of the people of this country.

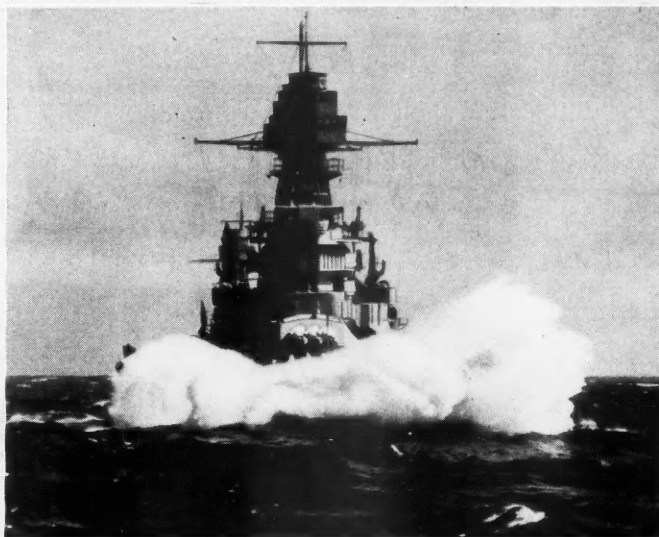
Today that destiny is broadened, for through giving every possible moral and material support to the other Democracies of the world fighting to maintain their existence, this country is performing a service to humanity unique in world history.

And it is our sincerest hope and considered belief that the year 1941 will mark the turn in world events which will assure permanent peace for our people and for the people of those other Democracies fighting for their right to live as free people.

January, 1941.



PRESIDENT, DUN & BRADSTREET, INC.



U.S.S. ARIZONA—PHOTOGRAPH BY EWING GALLOWAY

CREDIT POLICIES *in a* DEFENSE ECONOMY

EDWIN B. GEORGE

Economist, DUN & BRADSTREET, INC.

*P*ERHAPS the biggest worry about the subject "credit policies in a defense economy" is whether or not there is any need for discussion of it. The question jumps to one's mind, "What risk is there in commercial credit, now that there is all this new spending of government money?" Other phases of business may become more confused, yes; but why commercial credit granting? Certainly all the superficial signs would suggest that now those responsible for extending credit can relax and perhaps even sleep

nights—as long as this new prosperity special stays on the track.

The truth probably lies between two very positive and opposing attitudes. The first attitude expresses itself thus: "I do not care if a man's net worth is only \$10,000, if he gets a government war order for \$80,000 I am going to check him, and I think both of us will come out all right." The answer of the second is: "A man who gets a war order is no better than he was before he got it, unless the government is standing ready to protect the transac-

tion all the way back to primary suppliers, which it is not." In real life probably few actual cases will be so clear-cut, but the examples serve well as outside limits of practical credit policy.

Defense spending is already at the rate of from 4 to 5 billion a year. Semi-official estimates have it winging upward to \$6 billion; \$7 billion; \$8 billion a year in the foreseeable future. And it is a commentary of our times that whatever is unforeseeable will be assumed to be even more stupendous. Even

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after rearmament, predictions of calamity are to be at least privately salted to the extent of allowing for an annual maintenance charge of from 4 billion to 5 billion a year to keep up our new plant even if we do not do anything with it. Already the item of bank loans, the Sleeping Beauty of the past ten years, is warming to the kiss of this synthetic Prince Charming. A year ago total loans of reporting Federal Reserve member banks were about 9 billion dollars. During the past year they fell off some, but have now more than regained the ground lost. Unquestionably, a lot more bills are going to be contracted and paid than has been customary of late, which seems to meet all the specifications for happiness.

It is rather maddening, therefore, to realize that the executive who is responsible for credit decisions has no more license to sleep nights now than he ever had. In times of depression he has to worry about being so strict as to kill too much life-saving marginal business and in times of boom he has to worry about extending so much credit as to swamp his craft if the winds start to blow adversely again.

To the business man extending commercial credit a depression is just a boom on its back, and vice versa. In either one case he has to face *away* from the current trend. In depression he must keep looking upward and sometimes be ready with a courageous lift to the good customer who is temporarily foundering. In the boom, he is no coward if he keeps looking back to see how far it is now down to earth, nor an ingrate if he unceremoniously dumps out normally weak concerns who move along only in trade winds in which even an elephant could fly.

Boom Worries

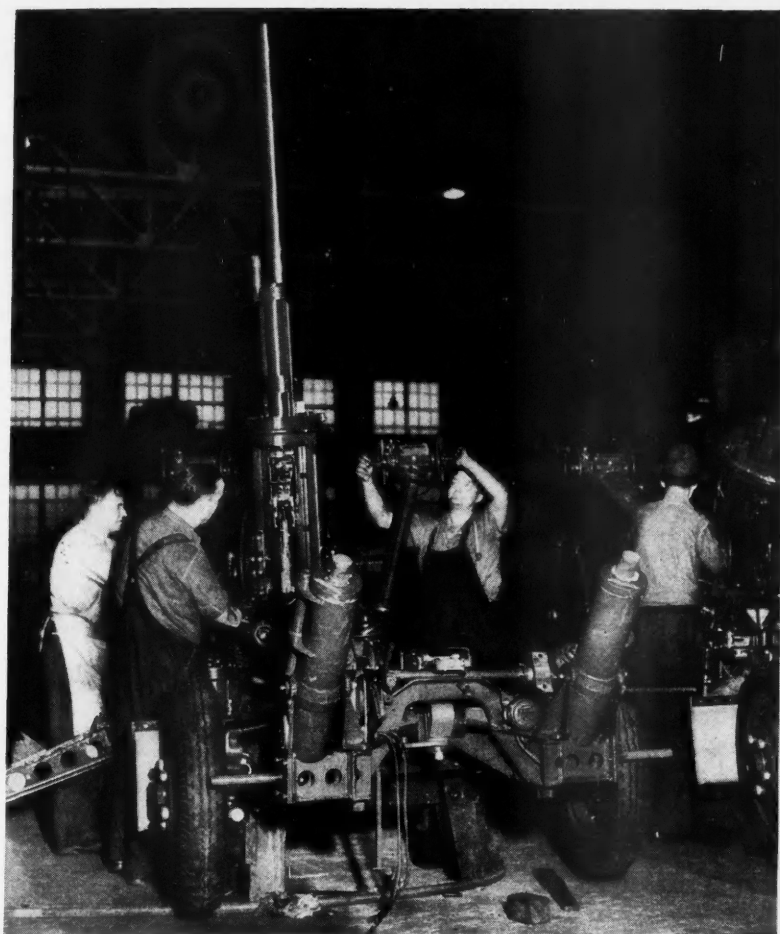
Worries that accompany booms, and especially war booms, are nothing new. I have a circular which a Mr. L. Edgerton, of 79 Worth Street, New York City, sent out to his customers early in 1865. It shows him spending most of January 16 worrying about what might happen to business as a result of Union victories. He lets us know (the quotation is here paraphrased somewhat for brevity) that "People are still in doubt as to the extent to which the existing state of things may go, and the caution with which they have acted has re-

sulted in a pretty general contraction of trade. The Peace rumors now afloat give hope to every patriotic heart and also suggest great prudence in all business undertakings. Large stocks of merchandise have been taken on at old prices by Houses who have counted upon the indefinite continuance of the war and the consequent vast augmentation of the currency, and who are now sending travelling solicitors over the country in the hope of shifting the responsibility of their injudicious purchases upon the shoulders of the country merchants."

There are no simplicities anywhere. In peace time one has to know not merely if the character of the customer is sound and his credit good, but also for how much, in what line, and for how long. In time of martial booms, one must know not merely that a customer's business is showing legitimate improvement, but for what reason, whether it is likely to be sustained, and how well protected he will be if it is not. Customer risks merely take new forms which must be appraised from scratch and are not to be regarded as safe merely because "they have government orders." That easy phrase can be one

EMERGENCY WELDING CLASS AT BROOKLYN TECH—PHOTOGRAPH BY CHARLES PHELPS CUSHING





ANTI-AIRCRAFT CARRIAGE ASSEMBLY—PHOTOGRAPH BY HARRIS AND EWING

of the most thickly populated pitfalls of the period through which we are about to pass.

Two kinds of caution must therefore be observed; one with respect to immediate business, the other with respect to a customer's ability to get back to solid ground when all the pretty ice starts to melt.

Under the first heading customers have to be generally re-classified in their relation to the war era. Some will be running double-deckers of war businesses superimposed on regular business, and others will be pushed out of both kinds of traffic. And even war business is not of a single type any more than all mammals are monkeys. Here are some variations:

Section 1c of the Act of July 2, 1940

(Public, 703), provides for advances on Army contracts in amounts not exceeding 30 per cent of the contract price. Section 1 of Public Act 671, June 28, did the same for the Navy. Some suppliers will get such advances, and others will go forward on their own. In any event the advances will be made under such terms and conditions and with such adequate security as the Secretaries of War or Navy may prescribe.

Guaranteed Fees

In the excitement occasioned by the passing of a labyrinthal and probably only stopgap excess profits tax, the fact is sometimes overlooked that the Walsh-Vinson Act provision for a guaranteed fee in the amount of 7

per cent of estimated costs on some type of equipment is still effective, as are certain other fixed fee allowances. Only the *profit* limitations were repealed. Probably not all of your customers' out of pocket costs, however, will be allowed by the government's auditors, so if you are trying to anticipate his new net worth after his government business is completed, even aside from income taxes, do not fall into the easy illusion that $7\% = 7\%$.

Einstein may have first begun to suspect that Euclid was partly haywire from watching the government audit industrial costs. Let me hastily add that I am not trying to judge whose sacred accounting principles are the right ones, the government's or industry's. Profit and loss is still a strictly mortal concept, accounting "principles" are mostly convenient devices for arriving at approximations, and both government and industry may be a little light in grace when it comes to figuring taxable incomes.

Some customers will get their needed new production out of existing facilities. Others will have to build new plants. Some of those building new plants will receive emergency facilities contracts which will entitle them to be reimbursed for their capital outlays at the rate of 20 per cent a year for five years—more rapidly if the emergency should happily be of shorter duration. The reference is to complete recovery of capital investments not merely amortization for tax purposes. They may also, under the new bankability clause (the Assignment of Claims Act of 1940, Public Act 811, Oct. 9), assign their claims for moneys due under government contracts as collateral¹ for bank loans which would put them in funds out of which their own suppliers could be paid off. There is also a provision that government cannot set other claims, supposedly including

¹ This procedure is sometimes erroneously referred to as the assignment of contracts themselves. Under that kind of arrangement of course the assignee would be assuming the position of the contractor and would be responsible for the completion of the actual contract, whereas in the actual case the assignee merely acquires an interest in the money due under the contract. For the most part such errors arise merely from the brevity of the reference rather than from actual misunderstanding, but the distinction should be kept clearly in mind.

taxes, against payments for emergency facility contracts.

This privilege of assignment would apply whether the government contract was for plant expansion or merely for merchandise. Also of interest is the fact that if your customer is paid back his investment for new facilities under the five-year plan, neither depreciation or obsolescence nor capital investment will be allowed as a cost item in the negotiating of prices. That item is being put deliberately, and unconditionally, out of the way—such a result being indeed one of the motives for the plan—so that war goods prices rendered fictitiously high by the inclusion of capital costs would not pull entire markets up into the stratosphere with them.

Plant Not Security

Also, do not figure that a customer's new plant will necessarily be security for his debts. He may actually have title to it for a time, but that may revert to the government on completion of reimbursement payments. Under a typical Defense Commission contract, an upset value would be computed at the end of the emergency on the basis of allowed costs minus annual depreciation rates of 5 per cent for plant, 12 per cent for machinery, and 50 per cent for hand tools. The contractor would have the dominant option to buy out the government's equity at that price, but he has no title to pledge unless he pays for it like anybody else. Facilities so financed cannot be mortgaged, nor any lien placed on them, without the consent of the Secretary of War or Navy.

Still another type of contractor comes to mind, the concern that builds for the account and ownership of the government, on a contractual service fee basis, a plant for the manufacture of goods with only wartime value, such as tanks, naval guns, gun powder, and gun sights. And in most fixed-price contracts, increasing costs due to rising prices are taken care of by so-called escalator clauses.

Probably these are not a half of the variations that are brewing. And in real life none of these arrangements can guarantee specific results. Special problems and special situations can spin out from these beginnings in endless variety. If bulk line pricing is allowed, there is more profit in sight for low cost producers than if prices are negotiated, to the extent possible or practicable, on the basis of individual costs.

The government's special accommodations for financing and protecting new capital investments will usually end at the thin line of original contractors, and at best they have to stop somewhere along the line of derived business; some credit men fear that they do not fully safeguard some of the risks taken in the public interest and that some unnecessary credit losses may result. And in any case, the government guarantee of fixed investment does not extend to working capital save for some industries in which such financing aid is far more important.

Foreign contracts, which also give rise to chains of orders, are in many ways quite different. On those contracts down payments are customary. As a result sub-contractors are tending to insist on sharing in these advances. Their argument is that the original contractors have the money in the bank and that the sub-contractors likewise need to have the strain on their working capital reduced. By the same token, when



WELDING FOR DEFENSE—PHOTOGRAPH BY CHARLES PHELPS

contractors receive a 30 per cent down payment on our own government business, their suppliers feel they too can make excellent use of some of this interest-free money.

Safety in business remains elusive, as probably it should be. Perfect credit security would mean the stagnation and decay of initiative. Sound credit policies will continue to turn around judgments of men and circumstances as well as of balance sheets and bank accounts. War orders above all do not necessarily remove risk. Even the fact that the customer is reimbursed by the government as he goes along, or gets a 30 per cent down payment with the order, does not necessarily mean that you are the supplier who is going to get paid. His accounts payable may have been too heavy before he got the war business, and unless bound by the terms of the contract he may seize the opportunity to pay off his more pressing old creditors, or those on whose goods he is most dependent.

Aggravating this hazard somewhat is the recent action of Congress in permitting the Secretaries of War and Navy to suspend the Miller Act in connection with defense contracts on a cost-plus-fixed-fee basis, but not on projects awarded through competitive bidding. This 1935 measure requires a contractor on a government construction job to provide a payment bond for the protection of his material suppliers. Under the new arrangement the financial institution to whom the contractor's claim under a cost-plus-fixed-fee arrangement is assigned may superintend the spending of the proceeds to the creditors' satisfaction, but there is not the old binding obligation. In some cases it is obviously possible to argue that for a man to be a good risk with a war order he should have been a good risk without it.

Also, the war business changes both his financial setup and his position in

the market. A shirt manufacturer doing a normal business of \$500,000 a year with 300 accounts gets an Army contract in an amount of \$300,000. Either he has to get additional bank or commercial credit, or have his extra outlays financed or protected by the government, or he has to cut off some

THIS discussion of the potential effects of national rearmament on commercial credit granting is the fifth of a series of articles by Edwin B. George on "Some Economic Aspects of the Defense Program."

The four preceding articles in this series appeared in 1940 in the August, October, November, and December issues. The first summarized the organization of Federal purchasing. Included with it were a list of field purchasing officers of the War, Navy, and Treasury Departments. The second considered possible repercussions of the quick spending of many extra billions for defense.

The third and fourth articles reviewed the statutory limits set by Congress for government orders and discussed the present and possible future responsibilities of the two divisions in the Advisory Commission principally concerned with price problems.

of his regular trade. In the last event, he may not be sure of recapturing it later on when he needs it again.

The recent announcement of compulsory priority on war materials does more than show government officials going briskly and alertly about their business. It shows a gradually emerging need to tighten up the program, to make very sure that needed supplies will be available. Directly, there is nothing in law and perhaps not much expressed in policy that requires you to sell in the first instance to a designated contractor whom you would not ordinarily regard as a good risk, but plain evidence that the program needed your goods might make you feel morally obliged to enter into relations with him. Can you protect yourself?

Again not directly, except through special arrangements, for the govern-

ment does not go about distributing guarantees promiscuously. In terms of the long series of sub-contracts and orders to which original contracts will necessarily give rise, that would be to take on a staggering obligation. Conceivably, in case of really dangerous risks, the government might be in-

duced to buy from you direct the materials needed by its unstable contractor and turn them over to him on his own account. Conceivably again, an arrangement might be concluded whereby the contractor would assign to a bank the money claim arising out of his contract, and the bank would require due proof of performance or delivery before making advances or final release of funds. Such a plan could not very well run beyond transactions growing out of the government's own orders, as sanctioned by the "Assignment of Claims Act of 1940," but presumably similar arrangements would still be possible under general laws.

The inevitable lack of uniformity in accounting procedures also requires that one stay on guard.

One customer may post a million dollar contract as an asset to offset his orders for materials as well as commitments and contingent liabilities, and another may only credit himself with the value of completed portions of the job as he goes along. In either event there is always the possibility that he will wind up with a loss rather than a profit when the work is done.

No Sure Risk

Even a government contract, even a technically protected government contract, can go wrong. The government may hold up the contractor's money because he did something wrong, and anyway it takes a very benevolent amount of government protection to save a man finally from the consequences of bad management. There are going to be a good many inexperienced contractors plunging



INSPECTION AT WATERTOWN ARSENAL—PHOTOGRAPH BY HARRIS AND EWING

into these waters. At any rate, the supplying of contractors and sub-contractors, and more particularly suppliers and sub-suppliers—after the fashion of the little lady in the old advertising design where the little figures appear on a diminishing scale up to the closest practical point of infinity—is necessarily bound to be fraught with its due and new kinds of risk. We want to know how much comfort and security there is in the last can on the line.

Crux of Problem

Most of these dangers may seldom materialize. To write of them so expansively puts one a little in the position of the old man who said, "In my long life, I have had many troubles, and most of them never happened." The Army, Navy, and Defense Commission are as aware as anyone that the credit forces they are setting in motion are self-extending and that the beginning of a battleship could be a little boy selling an old stove to the junk-man, with a hundred other transactions between.

The real crux of the problem is not so much actual risk as knowledge that it is *not* actual. We are making countless arbitrary suppositions. The facts in a given instance may be that a customer actually has received a war order, perhaps that he is being paid

by the government in advance or on account, that he does not have to expand his plant or assume other unusual risks, or that if he does expand his plant, the government is going to guarantee the return of his investment to him.

But all that a business man may know is that he has an order two or three times as large as any previous one, and he is very much up in the air about it. Naturally if he has not been given an explanation, he promptly goes after one. But no adequate explanation can consist in a single simple fact that a war order has been received. All the terms and conditions must also be known, and even then it is necessary to devise a new set of credit principles for the duration of the emergency.

The real oddity is that the recipient of a war order is probably a better credit risk than he was before, or better than an ordinary customer and yet, perversely enough, he may be a harder one to check because of the very novelty of his new relationship. And if he is genuinely a war goods supplier (some buyers represent themselves to be such when they are not) both the national interest and your own loyalty are going to oblige you to ship to him, whatever may be the merits of the transaction by ordinary standards.

But the really tough man to gage is

the customer who is not working on war orders at all, but who is profiting from the general stimulation of business induced by billions of dollars worth of war orders to others. He is the one really to worry about, and he is most everyone. The government has no responsibility for him. This danger is really on a plane oblique to that of war business and extends from the man whom you know as the "soul of reliability" but who is taking on a dangerous amount of inventory to the frauds and con-men who thrive in periods of excitement.

This hazard is more applicable to the securities field than to merchandising, but they are all brothers behind the build-up. Of passing interest, the SEC is supposed to have a list of hundreds of known swindlers who are waiting for venture capital to show itself in the defense program.

How Much Boom?

Distasteful though these may be, the menace they offer to our economy and to prospective creditors is nothing as compared with the menace of honest men who overjudge a boom. At the moment there is nothing much that the honest man can do save resist moderately the current pull toward speculation in inventories. That tendency may have contributed more definitely to such minor price spurts as we have experienced to date, with their accompanying threat of governmental price control, than war orders themselves.

The obvious central force in the picture is rearmament and accelerated government spending on a scale that is new even to punch-drunk historians of the past seven years. At least it means an escape from depression. But though it is benevolent, the consequences will be unevenly distributed, which is another thing to watch out for. Quite possibly it will mean another boom, particularly if existing idle capacity is rushed back into action and if our monetary and gold reserves

(Continued on page 52)

How RETAIL ADVERTISING *Expenditures Vary* with SALES VOLUME and SIZE of CITY

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Director of Surveys, DUN & BRADSTREET, INC.

MANUFACTURERS and wholesalers know, without the aid of figures and averages, that the average small retail store is a less effective, as well as smaller, advertiser than the usual department store or chain organization. Against the weight of the old shibboleth, "It pays to advertise," many a small retailer will cite experiences where he failed to get his money back from an advertising expenditure. On the other hand, to these case histories of advertising failure countless consumers can retort that they have looked long for some particular gadget or

necessity which a neighborhood retailer had in stock, but failed to mention in his advertising. Similarly, almost every consumer has spied and bought in an obscure store an article which appealed to him mightily and which probably would have won a good market had it been advertised.

An analysis of advertising expenditures reported in the current DUN & BRADSTREET Survey of Retail Operating Costs offers some clues to possible sources of these contradictions. They show, for instance, that the large retailer commonly spends a bigger por-

tion of sales dollar on advertising than the small retailer and that the store in a medium size town is likely to be a more liberal spender percentagewise than a similar store in a large city or small town. This latter is undoubtedly the more important finding. It points to an unfilled need in the field of retailer advertising, a problem which will be discussed later in some detail.

These findings cannot, of course, make a crack advertising man out of every retailer, nor provide him with equally effective advertising media in all sizes of towns. Neither can the

I. ADVERTISING EXPENSE RATIOS IN 50 RETAIL TRADES, 1939*

(Ratios are advertising expenses as percentages of net sales)

TRADE	—PROFITABLE CONCERNS— Inter-Quartile Range†				TRADE	—PROFITABLE CONCERNS— Inter-Quartile Range†			
	ALL CONCERNS	Median Average	Lower Limit	Upper Limit		ALL CONCERNS	Median Average	Lower Limit	Upper Limit
Fur Stores	2.5	2.5	0.2	8.5	Dairy and Poultry Products	0.9	1.1	0.1	3.3
Radios, with repairing	2.4	2.0	0.8	5.4	Hardware and Furniture	0.9	0.8	0.5	1.2
Musical Instruments	2.2	1.6	0.4	5.6	Gifts, Novelties, and Souvenirs	0.9	0.8	0.5	1.6
Jewelry Stores	2.1	2.0	1.1	3.5	Hardware	0.9	0.9	0.5	1.4
Shoe Stores	2.0	1.9	1.2	2.9	Stationery	0.9	1.0	0.4	1.4
Drug Stores	1.9	1.9	0.4	1.3	Limited Price Variety	0.8	0.8	0.4	1.3
Custom Tailors	1.6	1.6	0.1	7.0	Service Stations	0.8	0.8	0.3	1.3
Furniture Stores	1.6	1.5	0.8	2.5	Bakery Shops	0.7	0.8	0.1	3.8
Household Appliances	1.5	1.2	0.7	2.3	Coal and Other Fuel	0.6	0.6	0.3	0.8
Furniture, with Undertaking	1.5	1.4	1.0	1.9	Grocery Stores	0.6	0.5	0.2	0.8
Men's Clothing	1.5	1.5	0.9	2.1	Grocery and Meat Stores	0.6	0.5	0.3	0.9
Florists and Nurseries	1.4	1.5	0.8	2.4	Hardware and Farm Implements	0.6	0.6	0.3	0.9
Family Clothing	1.3	1.3	0.6	2.0	Motor Vehicles	0.6	0.6	0.4	0.9
Paint, Wallpaper, and Glass	1.3	1.2	0.6	1.8	Restaurants, Eating Places	0.6	0.5	0.3	1.1
Sporting Goods	1.3	1.4	0.4	4.3	Alcoholic Beverages	0.5	0.5	0.3	1.4
Haberdashery	1.2	1.3	0.8	1.9	Confectionery	0.5	0.4	0.2	0.7
Women's Ready-to-Wear	1.2	1.1	0.6	1.8	Country General Stores	0.5	0.4	0.2	0.8
Auto Accessories and Parts	1.1	1.2	0.6	1.7	Lumber and Building Materials	0.5	0.4	0.2	0.8
Dry Goods, General Merchandise	1.1	1.0	0.4	1.6	Taverns and Bars	0.4	0.4	0.2	0.8
Monument Concerns	1.1	1.1	0.8	1.8	Farm Implements	0.4	0.4	0.2	0.7
Office Equipment and Supply	1.1	1.3	0.7	2.1	Filling Stations	0.4	0.4	0.2	0.7
Book Stores	1.0	1.0	0.4	1.7	Meat Markets	0.4	0.3	0.1	0.8
Floor Coverings	1.0	1.0	0.1	4.0	Cigar Stores and Stands	0.3	0.2	0.1	1.1
House Furnishings	1.0	1.0	0.5	1.7	Farmers' Supply Stores	0.3	0.2	0.1	0.4
Lingerie, Hosiery, Millinery, etc.	1.0	0.9	0.6	1.7	Groceries with Filling Stations	0.3	0.3	0.1	0.5

* Direct expenditures, primarily for newspaper space and radio time. Labor costs are excluded.

† When the advertising expense ratio figures of all the profitable concerns are ranked in order from highest to lowest the inter-quartile range consists of the middle half of the figures, between the one which is one-quarter of the way down the list (the upper limit) and the figure which is three-quarters of the way down the list (the lower limit). The median, half-way down the list, is the midpoint both in the entire ranking and in the inter-quartile range.

II. ADVERTISING EXPENSES OF LARGE AND SMALL RETAILERS IN THREE SIZES OF CITIES—32 TRADES, 1939

(Advertising expenses appear as percentages of net sales)

POPULATION LESS THAN 20,000

TRADE	ANNUAL SALES						
	Less than \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$50,000	\$50,000 to \$100,000	\$100,000 to \$300,000	Over \$300,000
Jewelry Stores	1.5	1.3	2.2				
Shoe Stores	1.2	2.1	1.7	2.5	2.3		
Drug Stores	0.5	0.7	0.9	1.1	1.3		
Furniture Stores	0.8	1.0	1.5	1.5	1.8	2.1	
Household Appliances	1.1	1.1	1.0	1.2	1.4		
Men's Clothing	1.1	1.2	1.4	1.6	2.0		
Florists and Nurseries							
Family Clothing	0.8	1.0	1.1	1.5	1.4		
Paint, Wallpaper, and Glass		1.4			1.2		
Women's Ready-to-Wear	1.0	1.2	1.3	1.4	1.6		
Auto Accessories and Parts	1.5	1.0	1.0	0.9	0.7		
Dry Goods, General Merchandise	0.6	0.7	1.2	1.0	1.5	2.0	
Hardware	0.5	1.0	1.0	1.1	1.1		
Stationery		0.9			1.1		
Limited Price Variety							
Service Stations	0.8	0.4	0.4	0.7			
Bakery Shops		0.7		0.6			
Coal and Other Fuel		0.5		0.6		0.6	
Grocery Stores	0.1	0.6	0.7	0.7	0.6		
Grocery and Meat Stores	0.2	0.5	0.5	0.6	0.6	0.8	
Hardware and Farm Implements		0.6		0.6		0.6	
Motor Vehicles			0.5		0.5	0.6	0.7
Restaurants, Eating Places	0.6	0.5		0.8		0.7	
Confectionery	0.4	0.4	0.6				
Country General Stores	0.3	0.3	0.5	0.4	0.5	0.6	
Lumber and Building Materials	0.3	0.2	0.4	0.4	0.5	0.5	
Taverns and Bars		0.4		0.6			
Farm Implements		0.8	0.3	0.5	0.4		
Filling Stations	0.4	0.4	0.4	0.5	0.6	0.4	
Meat Markets			0.3		0.6		
Farmers' Supply Stores		0.3	0.3	0.3	0.2	0.2	0.3
Groceries with Filling Stations	0.1	0.3	0.2	0.4			

POPULATION 20,000 TO 100,000

Jewelry Stores	2.0		3.4		3.9		
Shoe Stores	1.8		2.0		2.4		
Drug Stores	0.6		0.5	1.2			
Furniture Stores		1.0		1.5	2.4	3.4	
Household Appliances	2.3		2.4	2.1	2.2		
Men's Clothing	1.2		1.8		2.5		
Florists and Nurseries							
Family Clothing	0.8		1.4		2.3		
Paint, Wallpaper, and Glass		1.2			1.4		
Women's Ready-to-Wear		1.0			1.8		
Auto Accessories and Parts		2.0			1.0		
Dry Goods, General Merchandise	0.6		0.8		1.8		
Hardware	1.1		1.5		1.5		
Stationery		0.9			1.0		
Limited Price Variety							
Service Stations	1.2		1.3				
Bakery Shops							
Coal and Other Fuel		0.6			0.6		
Grocery Stores	0.6		0.5				
Grocery and Meat Stores	0.1	0.4	0.3	0.4	0.6	0.9	
Hardware and Farm Implements							
Motor Vehicles		0.5				0.6	0.8
Restaurants, Eating Places	0.3		0.8				
Confectionery							
Country General Stores							
Lumber and Building Materials		0.5			0.6	0.5	
Taverns and Bars	0.6						
Farm Implements			0.5				
Filling Stations		0.4	0.4	0.4	0.9		
Meat Markets							
Farmers' Supply Stores		0.4			0.4		
Groceries with Filling Stations		0.3					

II. ADVERTISING EXPENSES OF LARGE AND SMALL RETAILERS IN THREE SIZES OF CITIES—(Continued)

(Advertising expenses appear as percentages of net sales)

POPULATION 100,000 TO 500,000

TRADE	ANNUAL SALES					
	Less than \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$50,000	\$50,000 to \$100,000	\$100,000 to \$300,000 Over \$300,000
Jewelry Stores	1.9		2.4		3.9	..
Shoe Stores	1.8		3.0		1.9	..
Drug Stores	0.7		0.3	0.4		..
Furniture Stores	0.8			1.9	2.4	3.8
Household Appliances	2.1		1.4	1.3	1.6	..
Men's Clothing	0.7		1.4		2.6	..
Florists and Nurseries						..
Family Clothing	1.2		0.6		1.9	..
Paint, Wallpaper, and Glass	0.7				1.1	..
Women's Ready-to-Wear	0.6		1.1		1.3	..
Auto Accessories and Parts	1.0				1.1	..
Dry Goods, General Merchandise	1.0		1.3		1.5	..
Hardware	0.4		1.0		0.5	..
Stationery	0.6				0.7	..
Limited Price Variety						..
Service Stations	0.5		0.4			..
Bakery Shops	0.5		0.8			..
Coal and Other Fuel	0.8				1.1	..
Grocery Stores	0.6		0.5			..
Grocery and Meat Stores	0.2	0.4	0.7	0.4	0.5	0.7
Hardware and Farm Implements						..
Motor Vehicles	0.5				0.7	0.9
Restaurants, Eating Places	0.8		0.4		1.0	..
Confectionery	0.2					..
Country General Stores						..
Lumber and Building Materials		0.4			0.6	0.7
Taverns and Bars	0.9		0.4			..
Farm Implements						..
Filling Stations	0.3	0.3	0.3	0.4	0.6	..
Meat Markets		0.9			0.4	..
Farmers' Supply Stores						..
Groceries with Filling Stations		0.4				..

survey ratios serve as rules of thumb by which each retailer may set up his advertising budget without further thought. The most valuable possible result is that the survey may provide manufacturers, wholesalers, and managers of advertising media with a groundwork for the planning of better advertising help to retailers.

Out-of-Pocket Expense

The advertising expense ratios shown in the accompanying tables may seem too small to readers well posted in this field. According to the instructions given in the survey questionnaire, the retailer reported only direct out-of-pocket expense for "radio, newspaper, window display, and other types of ad-

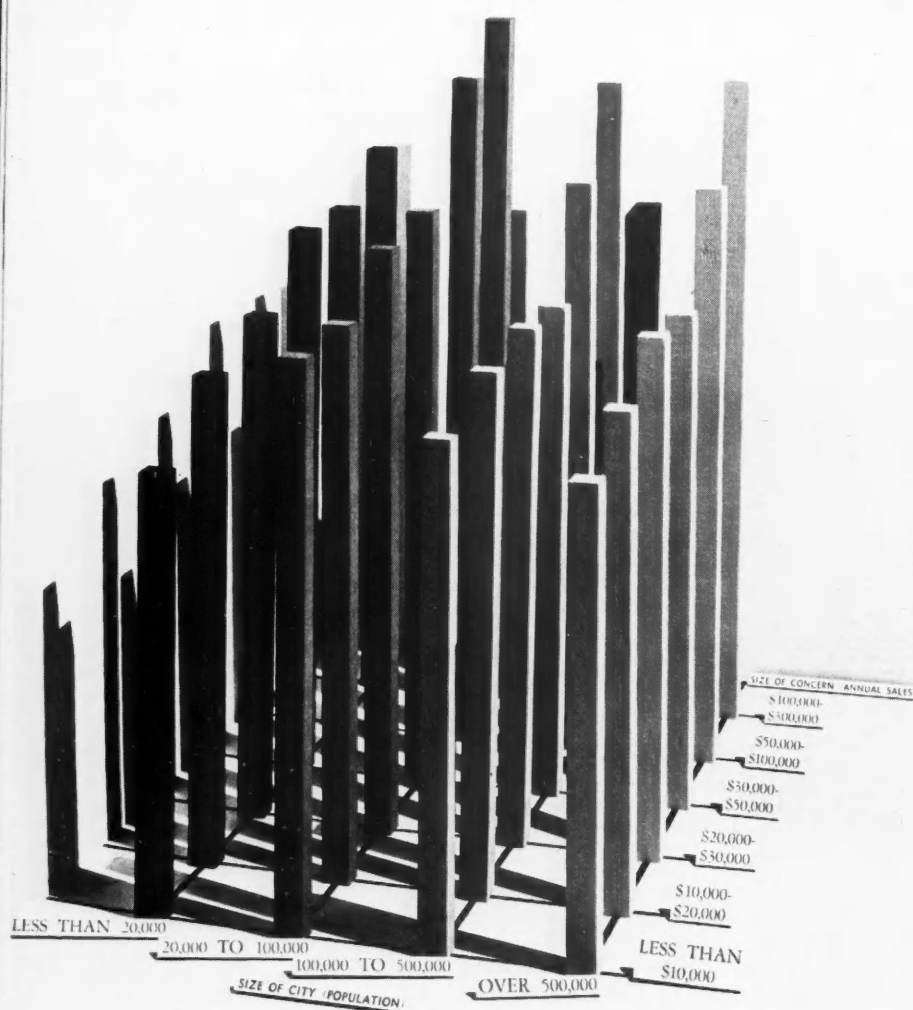
vertising." Thus the item excludes advertising expenses which are balanced by allowances received from suppliers, the value of window displays and other advertising material supplied free or at nominal cost, and—most important—the wages of employees producing advertising or dressing windows.

This last limitation was necessary for the convenience of small stores, where employees must be jacks of all trades and where no one devotes full time to advertising. Consequently, all employee salaries and wages were lumped together in the questionnaire. Secondly, the survey sample includes no department stores and with such a limited sample of very large stores in other trades they had only a negligible in-

fluence on the results. The survey represents the experience of small and medium size stores.

The survey started with a vast, disorderly array of operating statements supplied by over 13,000 retailers. The majority of these retailers reported an advertising expense which, among other items, was computed as a percentage of the sales volume in each store.

After being classified and subdivided according to several characteristics, these advertising expense ratios of each group were lined up in order of size, and the item half-way down the list chosen as the median. The survey shows direct advertising costs as a percentage of sales in various groupings



THREE DIMENSIONS OF RETAIL ADVERTISING

Four sizes of cities (left to right) and six sizes of stores (front to back) form a floor grid with 24 intersections, where vertical bars show the advertising expenditures of retail stores in each of 24 classifications (data from table III, page 18). This illustration and a second view of the same figure (next page) suggest that, in general, the larger the store (regardless of size of city) the more advertising (as a percentage of sales). They suggest also that, regardless of the size of store, the retailers in middle-sized cities spend more on advertising than do retailers in small towns and big cities.

of stores by trades, by annual sales volume, by size of town, by profit status, and by credit policy. The present analysis attempts to discover what relation exists between advertising expenditures and these other factors.

The starting point is a tabulation to show the differences between trades.

Little advertising is needed to start a man on the hunt for a grocery store or restaurant when he is hungry, or a drug store when he needs medicine. But persuasion—if not outright manhandling—is needed to attract him into a household appliance store when the shirts his wife launders by hand look

passable and food seems to be keeping well enough in the old icebox. Purchases of these goods are in economists' parlance "postponable," as contrasted with food.

The survey results merely confirm these axioms of human nature. Where the trades are arranged in order of size of the advertising expense ratio, the majority of trades in the top half of the list are those selling mostly durable consumer goods and luxuries; the majority of trades in the bottom half of the list are those selling immediate consumption goods and necessities (table I). Moreover, in addition to these differences in the retailer's own advertising expenditures, durable goods manufacturers more often share the advertising cost than do the processors of food and other immediate consumption items.

Exceptions

There are, however, some interesting exceptions to the immediate-postponable goods axiom. Drug stores turn up among the relatively heavy advertisers, doubtless because cosmetics, electrical appliances, and a myriad of other sidelines have come to overshadow the original "chemist's" function of compounding medicines. Conversely, the farm implement and lumber trades are near the bottom of the list among the small advertisers. The goods they sell are certainly as durable as furs and radios, but their customers are mainly farmers who buy somewhat more on the basis of price and service, or contractors who are reached direct by outside salesmen and manufacturers' advertising.

In addition, advertising expense ratios vary more widely from store to store in the durable goods trades than in immediate consumption goods lines. The concerns whose ratios are between those which appear in the last two columns of table I constitute the middle half of the profitable concerns. Looking at the opposite side of the same idea, this means that one-quarter of the surveyed fur stores spent less than 0.2 per cent of sales on advertising, while one-

quarter of them spent more than 8.5.

The next question is whether the large store customarily spends more or less of its sales dollar on advertising than does the small store. Two obstacles had to be overcome in order to find a reliable answer. First, large stores are more frequent in big cities, small ones in the small towns. So as not to confuse the influence of size of town with that of size of store, three comparisons have been made instead of one: large versus small stores in small towns; the same comparison in medium size cities; and a third in cities of more than 100,000 people (table II).

The second difficulty is that the normal level of advertising expenditure is not the same in every trade, as was shown in table I, so that it was necessary to put all trades on a common base for the purpose of comparison. This was done by establishing as a "norm" the typical advertising ratio for each trade as a whole (table I, column 1). The

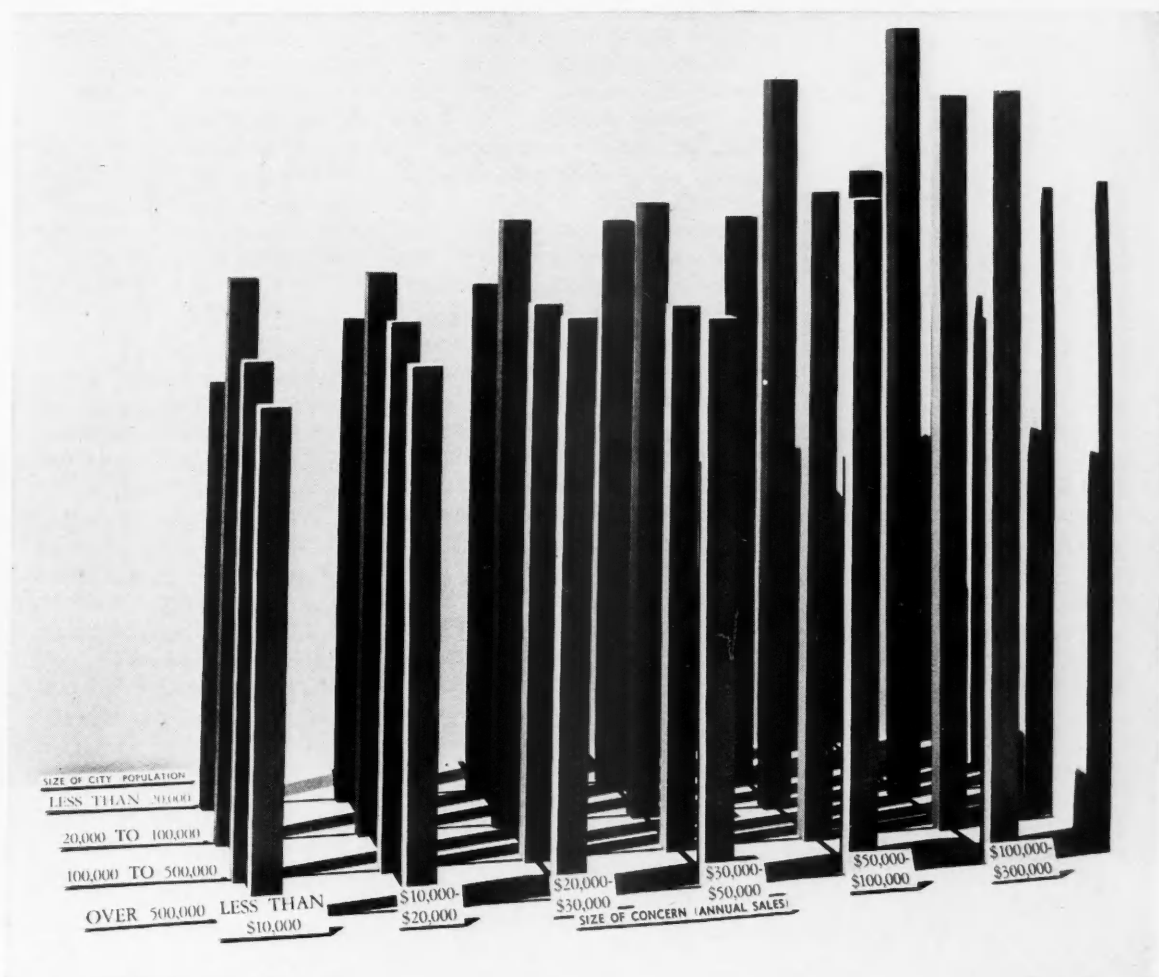
ratios shown in table II for various groups of stores according to their annual volume and size of town were then converted to index numbers by computing percentages of this "norm." The resulting "index numbers" from various trades were then averaged to show the typical pattern of variation by size of store. The averages arrived at in each size of town are presented as an indication of the characteristic relation between advertising expense and size of store (charts on these two pages and table III, next page).

By reading horizontally across table III it will be seen that the larger concern consistently tends to use more of the sales dollar for advertising than the small store, regardless of the size of town.¹ This tendency of large stores to advertise more liberally is apparently about the same in any size of town.

"Three Dimensions of Retail Advertising," continued, a second view of the figure on the opposite page. (Data from table III).

Of course these figures in themselves do not prove whether the store grew large by advertising or advertises because it is large. However, there is support for the conjecture that some volume came to these larger stores because they told the public what they had to offer. Since the large stores are commonly more profitable than small ones, it is fair to assume that they are better managed. From this it might be argued that better management ability goes along with more liberal spending on advertising. Certainly, by definition, better management produces faster growing business than poor management. The conclusion might properly be that although advertising

¹ As a check upon the index procedure outlined above, a "ranking tally" made of the advertising ratios in table II yielded confirming results. A notation was made indicating whether each advertising ratio was greater or less than the ratio of the next larger group of concerns. These notations were then tallied to give the following results: of 200 notations, 122 indicated that the advertising ratio of the larger concerns exceeded those of the next smaller class of concerns; 46 indicated that the advertising ratio of the smaller concerns exceeded those of the next larger class; in 32 cases, the advertising ratios of the neighboring size groups were identical.



could not be the sole cause of business growth it is an important factor.

The finding that the larger retailer generally spends more liberally on advertising is not an infallible rule in all trades; but it is not just a chance circumstance peculiar to the 1939 experience analyzed in the current survey. A similar analysis of 1936 operations from a previous survey yields almost identical results. That survey was likewise based on the experience of many thousands of retailers and a large number of them are not the same stores participating in the later survey.

As might be expected, the difference between large store and small store advertising expenditure is likely to be greater in those "consumer durable goods" where the returns from advertising are greater and more easily noticed. Large shoe, drug, and furniture stores commonly spend twice as heavily on advertising, relative to their sales, as do the small stores in the same trades. Conversely, large independent filling stations and farmers' supply stores spend no more freely on advertising than the small concern (table II). These differences, like others noted above, appear in both the 1936 and 1939 analyses.

Size of City

Is a retail store of a given size likely to spend more or less for advertising in a large city than it does in a small town? This third stage of the analysis confronts the opposite side of the same obstacle previously encountered in analyzing expenditure by size of store (table II). The difficulty has been surmounted in the same way, by comparing the advertising expense of the same size of store in three sizes of towns: those of less than 20,000 population; medium size cities of 20,000 to 100,000 people; and large cities of over 100,000 people. In a few trades it was possible to carry this comparison on into a fourth bracket, metropolitan centers of more than 500,000 people.² Six such comparisons were made—representing the experience of six size brackets

III. THE INFLUENCE OF SIZE OF CONCERN AND SIZE OF CITY UPON RETAILERS' ADVERTISING EXPENSE RATIOS

(Index numbers; 100 = typical ratio of advertising expenses to net sales, as in table I, column 1)

POPULATION OF CITY	ANNUAL SALES					
	Less than \$10,000	\$10,000-\$20,000	\$20,000-\$30,000	\$30,000-\$50,000	\$50,000-\$100,000	\$100,000-\$300,000
Less than 20,000	76.4	87.8	93.8	105.3	105.3	113.5
20,000 to 100,000	97.1	99.2	107.2	109.9	132.2	141.1
100,000 to 500,000	85.2	91.4	94.2	93.0	111.8	128.6
Over 500,000	80.3	86.9	93.8	92.6	111.7	129.2

of stores as grouped in the survey.

Complete data by trades and by three sizes of city are shown for only two size-of-store groups—the very small stores of less than \$10,000 annual sales and the large stores of \$100,000 to \$300,000 annual sales (table IV). However, the relative advertising expenditures in each of all six size groups appear in table III and in the illustrations on pages 16 and 17. Without exception in any size group, the retail store in a medium size city tends to spend a larger proportion of its sales dollar on advertising than does the same size store in a small town or a large city.³ In this instance, also, exactly the same story is revealed by an analysis of 1936 operations, showing that it is not peculiar to the business conditions prevailing in 1939.

It should be remembered that the analysis of this survey has searched for general tendencies, and these broad findings by no means apply to every trade.

As a factor in the planning of future advertising and promotion by manufacturers and wholesalers, the size-of-store, size-of-city finding is without doubt the most significant part of these

analyses of retail advertising costs. Naturally further study is necessary in order to determine just why the small town and large city dealers spend less liberally on advertising. However, some guesses can be made and may serve as a starting point for further study by advertisers and research agencies.

Like many speculative ventures, this pyramid of guesses is based upon an assumption about what the other fellow is going to do. The assumption is that the average retailer spends money on advertising only so long as he can see clear and immediately satisfactory results—or thinks he can. If this assumption is correct, retailers in medium size towns tend to spend more on advertising because they obtain more satisfactory results than the large city or small town retailers.

Available Media

One advertising medium for the retailer in the usual small town is a weekly newspaper, with small circulation and low-cost space. Admittedly he could spend more by buying more space, but in a small town this looks ostentatious and provokes a competitive advertising war among his competitors, who, because they are few, would be more directly affected. Even if the town has a daily newspaper the retailer is probably able to buy advertising space within reasonable needs at a figure which is very nominal compared with his sales volume. Word-of-mouth advertising by satisfied customers is prob-

² The advertising ratios for concerns in cities with more than 500,000 population are presented in table III, but they are omitted from tables II and IV. The small number of concerns reporting from the larger cities may lead to unrepresentative ratios for individual trades; however, the averaging of a large number of such medians is likely to bring about a "cancelling out of errors." The plausibility of these averages is strengthened by their consistency with the general relationships revealed by the other data.

³ These indexes of the relative advertising expenditure according to size of town were likewise tested by applying a different statistical method to the original data. In this case also the index was confirmed by a tally showing a two to one tendency for the advertising expense ratio to be larger in the medium size town than it was in the large cities or small towns.

IV. RETAILERS' ADVERTISING EXPENSE RATIOS BY SIZE OF CITY IN TWO SIZE-OF-STORE CLASSES—32 TRADES, 1939

(Ratios are advertising expenses as percentages of net sales)

TRADE	STORES WITH ANNUAL SALES OF LESS THAN \$10,000			STORES WITH ANNUAL SALES OF \$100,000-\$300,000		
	POPULATION OF CITY			POPULATION OF CITY		
	Less than 20,000	20,000 to 100,000	More than 100,000	Less than 20,000	20,000 to 100,000	More than 100,000
Jewelry Stores	1.5	2.0	1.9	..	3.9	3.9
Shoe Stores	1.2	1.8	1.8	2.3	2.4	1.9
Drug Stores	0.5	0.6	0.7	..	..	..
Furniture Stores	0.8	1.0	0.8	2.1	3.4	3.8
Household Appliances	1.1	2.3	2.1	1.4	2.2	1.6
Men's Clothing	1.1	1.2	0.7	2.0	2.5	2.6
Florists and Nurseries	..	..	..	..	..	..
Family Clothing	0.8	0.8	1.2	1.4	2.3	1.9
Paint, Wallpaper, and Glass	1.4	1.2	0.7	1.2	1.4	1.1
Women's Ready-to-Wear	1.0	1.0	0.6	1.6	1.8	1.3
Auto Accessories and Parts	1.5	2.0	1.0	0.7	1.0	1.1
Dry Goods, General Merchandise	0.6	0.6	1.0	2.0	1.8	1.5
Hardware	0.5	1.1	0.4	1.1	1.5	0.5
Stationery	0.9	0.9	0.6	1.1	1.0	0.7
Limited Price Variety	..	..	..	..	..	..
Service Stations	0.8	1.2	0.5	..	..	..
Bakery Shops	0.7	..	0.5	..	..	..
Coal and Other Fuel	0.5	0.6	0.8	0.6	0.6	1.1
Grocery Stores	0.1	0.6	0.6	..	..	..
Grocery and Meat Stores	0.2	0.1	0.2	0.8	0.9	0.7
Hardware and Farm Implements	0.6	..	..	0.6	..	..
Motor Vehicles	0.5	0.5	0.5	0.6	0.6	0.9
Restaurants, Eating Places	0.6	0.3	0.8	0.7	..	1.0
Confectionery	0.4	..	0.2	..	..	..
Country General Stores	0.3	..	..	0.6	..	..
Lumber and Building Materials	0.3	0.5	0.4	0.5	0.5	0.7
Taverns and Bars	0.4	0.6	0.9	..	..	..
Farm Implements	..	0.5	..	..	..	..
Filling Stations	0.4	..	0.3	0.4	0.9	0.6
Meat Markets	0.3	..	0.9	0.6	..	0.4
Farmers' Supply Stores	0.3	0.4	..	0.2	0.4	..
Groceries with Filling Stations	0.1	0.3	0.4	..	..	..

ably even more important to the small town retailer than to the general run of merchants. Perhaps, then, he cannot spend much sensibly.

At the other extreme, the retailer in a city of more than 100,000 people has at least one daily newspaper and a broadcasting station at his command, but with larger "circulation" the dollar outlay for space or radio time is high. This discussion does not bear upon the case of the department store which wants to reach the entire community with its advertising message—in fact, department store advertising has a com-

mercial history closely connected with the growth of the modern daily newspaper. The discussion here is concerned with the small neighborhood merchant who has survived the mercantile revolution led by department stores, chains, and mail-order houses.

This small retailer in a large city ordinarily does not use these city-wide media extensively. Occasionally there is a satisfactory neighborhood news and advertising sheet. It remains rare and experimental for metropolitan newspapers to offer regional or "borough" editions to merchants in the several

segments of the metropolitan area even though the scheme is said to have been carried on successfully in Tokyo for twenty years. The distribution of handbills, even when not curtailed by ordinance, may cause ill will rather than good will among potential customers. The maintenance of a satisfactory up-to-date mailing list for direct mail advertising is a possibility, but needs careful organization in a large city where home ownership is rare and a substantial proportion of the customers move every year or two.

Group Advertising

These factors account in some degree for the success and usefulness of voluntary groups and retailer co-operatives. Group advertising by retailers has the advantage of spreading the cost so that adequate talent can be applied to copywriting and illustration, and adequate space bought without excessive burden on any one store. There is little waste circulation if the co-operating group includes stores spread throughout the community. Some of the same advantages apply to the preparation of window display, direct mail, and handbills for a group, since the art work, copywriting, and some of the printing costs are no larger for a big edition than for a small one.

Many manufacturers and some wholesalers have long realized the nature of the city retailer's problem. But the majority of wholesalers have failed to see the nature of this basic change which has occurred in the business structure and have lost business as a result. Yet comments by trade observers and histories recounted by sales managers indicate that the majority of manufacturers, abandoning their wholesalers in favor of direct distribution, find the change expensive. Many of them consider it worth the price to gain closer control of merchandising and better promotion at the point of contact with the consuming public.

This is not intended as a denial that other factors enter into the decision—such as the question of strategic credit.

Admittedly some manufacturers would rather ship to a shaky account than fail to have their goods displayed in a particular neighborhood or trading center—provided there is no stronger dealer available at that point. Equally likely is the possibility that the average wholesaler lets credit policy outweigh sales strategy.

Undoubtedly manufacturers supplement the advertising horsepower of many a city retailer in ways which are not reflected in the survey averages—rental payments for window display space in good locations and allowances for newspaper advertising, especially where newspaper space tariffs include a differential in favor of local concerns.

Probably less specific attention has been given by manufacturers and wholesalers to the small town retailer's problem. To what extent can he use the same type of advertising aid offered to his city cousin? Admittedly, some of his consumers have been leaving this small town behind, as they drive off over new concrete highways to the larger trading centers. Yet the battle of the small town retailer is not entirely lost and 30 per cent of the population of the United States continues to live in small towns or on farms, and more than 50 per cent of the retail stores are located in the same population bracket.

Perhaps more careful qualitative studies are needed of the types of advertising found successful by retailers in various sizes of towns. The retailer in the medium size city, of 20,000 to 100,000 people, may be a particularly good guinea pig. A daily newspaper and a radio station are usually available as advertising media with circulations small enough so that the average retailer can

V. RETAILERS' ADVERTISING EXPENSE RATIOS IN CASH AND CREDIT STORES—17 TRADES, 1939

(Ratios are advertising expenses as percentages of net sales)

TRADE	Cash	Open Credit*	Installment†
Auto Accessories and Parts	1.1	1.4	..
Country General Stores	0.6	0.4	..
Drug Stores	0.9	0.8 ¹	..
Dry Goods, General Merchandise	1.0	1.5 ¹	..
Filling Stations	0.4	0.5	..
Grocery Stores	0.5	0.5	..
Grocery and Meat Stores	0.8	0.5	..
Haberdashery	0.8	1.6 ²	..
Hardware	0.9	1.0	..
Meat Markets	0.5	0.4	..
Shoe Stores	1.8	2.1 ¹	..
Women's Ready-to-Wear	1.1	1.3 ¹	..
Men's Clothing	1.3	1.8 ¹	..
Family Clothing	1.0	1.5 ¹	..
Household Appliances . . . . .	..	1.1	1.7
Furniture Stores . . . . .	..	1.1 ³	1.6 ⁴
Jewelry Stores	1.8	2.0	3.5

* These concerns sold half or more of their volume on open credit unless specified as follows: (1) 20%-50% open credit; (2) 20% or more open credit; (3) no installment, but some open credit sales.

† These concerns sold half or more of their volume on installment unless specified as follows: (4) 50%-80% of sales on installment; (5) 80% or more of sales on installment.

afford them. Since home ownership is more prevalent in these towns than in the very large cities, the retailer's mailing list may require less repair to keep it in running order.

Credit Stores

The findings of the Survey of Retail Operating Costs have been examined for answers to two further questions about advertising expenses. First, do profitable stores advertise more liberally (spend a higher proportion of net sales) than unprofitable stores? Second, do enterprises which grant credit advertise more heavily than cash stores? The advertising expense ratios of profitable and unprofitable concerns were compared in 44 retail trades. In 24 of these trades the profitable concerns spent a smaller proportion of sales on advertising than did the un-

profitable. In 13 trades, the reverse was true and in 7 trades the expenditure ratios were about equal.

Another way to look at it may be that the unprofitable retailer often feels that he must advertise just as extensively as the man whom he considers as a competitor; yet for various reasons, such as incompetence of his advertising, a poor location, or faulty merchandising, he does not obtain so large a volume.

A comparison of the advertising expense figures of cash and credit stores similarly fails to do much more than confirm previous findings. In those trades where both cash and credit policies represent common and practical methods of doing business, there is no conclusive tendency for either group to advertise more heavily. For instance, grocery and meat, drug, and country general stores on a cash basis tend to advertise somewhat more

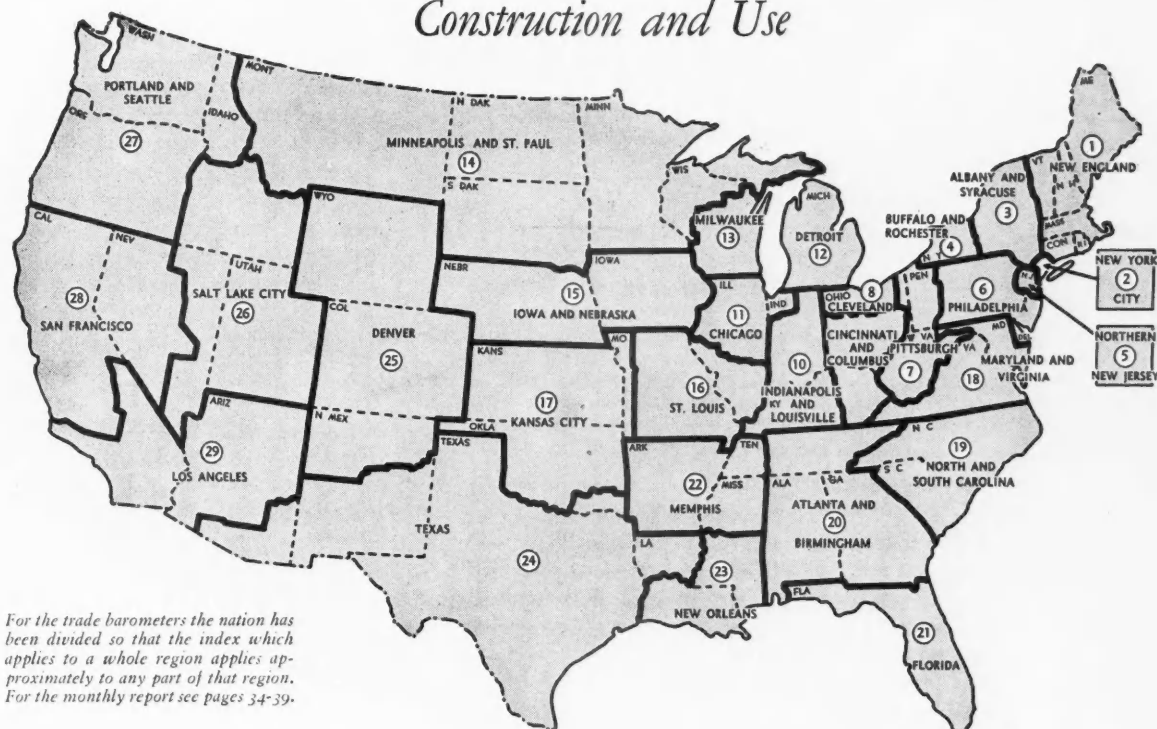
vigorously than their competitors who feature credit (table V).

On the other hand, in those trades selling durable or semi-durable consumer goods, such as furniture, jewelry, women's clothing, and men's clothing, there is a strong tendency for the advertising expense ratio to increase along with the share of the volume sold to charge or installment customers.

All in all, the findings do not in any way refute the repeated assertions in trade journals that the forte of the small independent retailer is personal service and a close acquaintance with his customers. But they do suggest that this same retailer can profitably spend a somewhat higher percentage on advertising than the average for his trade, where the circumstances are favorable or when he is given adequate help by his suppliers.

THE REGIONAL TRADE BAROMETERS

Construction and Use



For the trade barometers the nation has been divided so that the index which applies to a whole region applies approximately to any part of that region. For the monthly report see pages 34-39.

L. D. H. WELD

*Director of Research
McCann-Erickson, Inc.*

THE number of companies using the Regional Trade Barometers published monthly in DUN'S REVIEW has been steadily increasing. These barometers were first issued in 1936 and represent the first attempt that was ever made in the United States to measure the ups and downs of business in different sections of the country.

Formerly national distributors were content to use blanket selling and advertising policies for the whole country. Today they realize that to increase sales efficiency they must study changes in consumer buying power in different markets and shape policies accordingly.

With accurate knowledge of business fluctuations in different regions, it is

possible to determine why sales are strong or weak in individual territories; to plan shipments, inventories, and salesmen's activities in accordance with local needs; to adjust territorial and salesmen's quotas with business conditions; to set up sales budgets more intelligently; and to see that advertising is properly allocated to different parts of the country in accordance with sales possibilities.

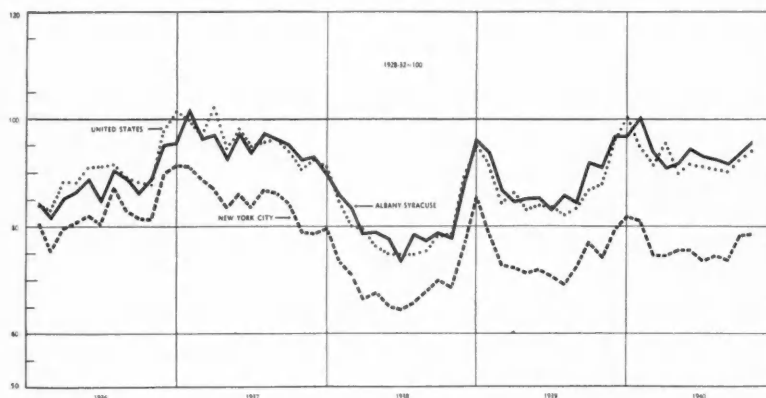
Why 29 Regions?

Business conditions vary appreciably in different parts of the country—often from one region to another, sometimes from one State to another, and even, as in New York and California, from

one part of a State to another. It would be fine if we could split the country into even more than 29 regions, but there simply aren't enough data available to make any finer divisions. Nevertheless, the 29 regions for which our barometers run back to 1928 (the year before the end of our great prosperous era) are in line with the sales districts of a great many companies. In fact, it was only after examination of the sales districts of many companies that the 29 regions were chosen.

Any company whose sales districts do not coincide with the 29 regions can match them closely enough for all practical purposes by combining their own sales districts or by combining the re-

REGIONAL TRADE BAROMETERS FOR THE NEW YORK CITY AND ALBANY-SYRACUSE REGIONS, 1936-1940



As barometer figures charted on these pages show, business conditions vary from one nearby region to another. Two neighboring regions represented above differ markedly, though both are in the same Federal Reserve District, both in New York State.

gions.¹ The economic conditions within a single region are sufficiently alike—as to industry, agriculture, and trade—to make it possible to treat each district as a whole. In other words, the index that applies to a whole region applies approximately to any part of that region. This would not be true if the country were divided into only ten or twelve districts—instead of 29. The variations within a single region would be too great for practical purposes. A map showing the 29 regions appears on the preceding page.

Nearby Variations

It is apparent from the Regional Trade Barometer figures that business conditions vary from one nearby region to another. New York City, for example, offers problems quite different from those of the Albany-Syracuse region (chart top of page). New York City has been lagging much behind the rest of the country, whereas the Albany-Syracuse region has kept in line with the country as a whole. Both are in the Middle Atlantic census area, both are in the New York Federal Reserve District, and they are both parts of the same State.

¹ See "How to Use the Regional Trade Barometers," DUN'S REVIEW, April 1938. A few reprints of this article are still available.

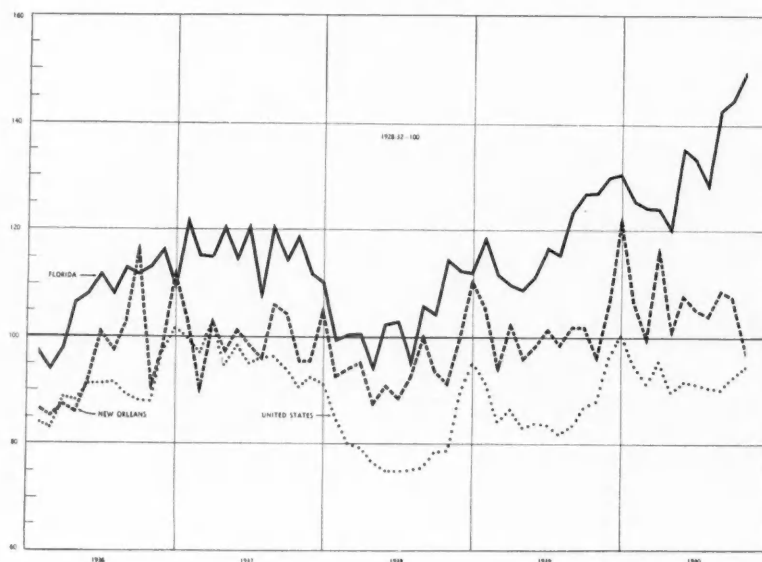
advertising treatment would have been justified.

Similarly, both the Pittsburgh region (7) and the Cincinnati-Columbus region (9) are in the Cleveland Reserve District, but conditions in the two regions are substantially different. Pittsburgh is dependent largely on the steel industry and has followed the United States Barometer fairly closely. The Cincinnati-Columbus region is dependent on diversified industry and has been more prosperous on the whole than Pittsburgh (chart on next page).

For the Regional Trade Barometers the Pacific Coast area has been split into a Northwest region (27), Northern California with part of Nevada (region 28), and Southern California with most of Arizona (region 29). The San Francisco Reserve District includes not only these three regions, but also the Salt Lake City region. It is needless to say that types of industry and agriculture vary greatly in the different parts of this great section of the country and that separate indexes are necessary for these different sections.

The Regional Trade Barometers do

REGIONAL TRADE BAROMETERS FOR THE FLORIDA AND NEW ORLEANS REGIONS, 1936-1940



not measure industrial production as do so many indexes of business conditions. They measure the flow of trade through commercial channels. This means that they measure the changes in buying power of the consuming public and therefore changes in retail sales. As the chart on the next page shows, the United States Trade Barometer has coincided closely with total retail sales since 1929. The retail sales figures are from the distribution censuses, with Department of Commerce estimates for intercensal years. The base period is 1935 to 1939, inclusive, the new base adopted by the Federal Reserve Board for its index of industrial production. Since retail sales are principally dependent on national income, it follows that the barometers also reflect total income paid out (chart on next page).

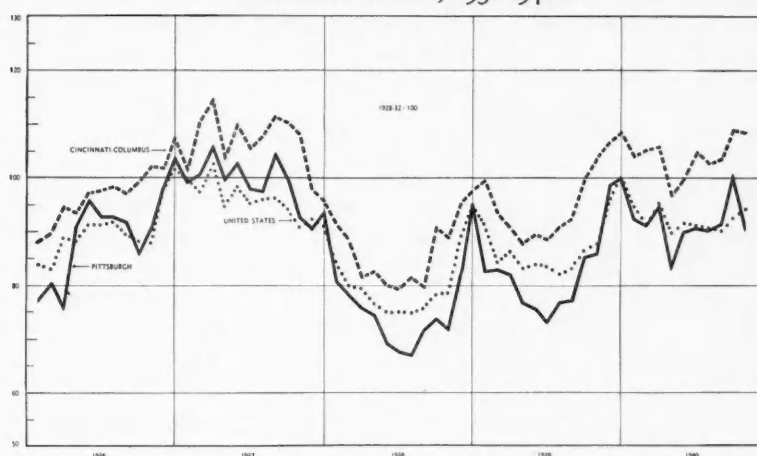
Factors in the Barometers

It was of course difficult to find enough data to make it possible to construct barometers for 29 separate regions. The component figures had to be promptly available, and they had to be sensitive, so that they would quickly record changes in economic conditions. After much experimentation, the following factors were selected: bank debits, department store sales, new car sales, and life insurance sales.² These four factors, each weighted according to its importance, have been combined into an index for each region and for the United States as a whole. The barometers have been published monthly since November 1936. Constant checks on results have indicated their approximate accuracy, and no revisions of importance have been found necessary.

Each barometer is in the form of an index number, and 100 equals the monthly average for the five years 1928-1932, inclusive. This represents a combination of good and bad years and was selected only after careful experimentation. It is the same base period that is

² Wholesale trade and newspaper advertising lineage are also included for New York City, and wholesale trade for the two upstate New York regions, Northern New Jersey, and the Minneapolis-St. Paul regions.

REGIONAL TRADE BAROMETERS FOR THE PITTSBURGH AND CINCINNATI-COLUMBUS REGIONS, 1936-1940



used in the *Printers' Ink* Advertising Index, compiled by the writer.

The barometers for the United States as a whole and for each of the 29 regions are corrected for seasonal variation. The factors are combined first, and then the seasonal correction is made.³ The seasonal fluctuations varied to such

³ The "ratio-to-moving average" method is used. For a more complete description of the method, together with charts showing the seasonal variation pattern for each region, see *DUN'S REVIEW*, June 1940.

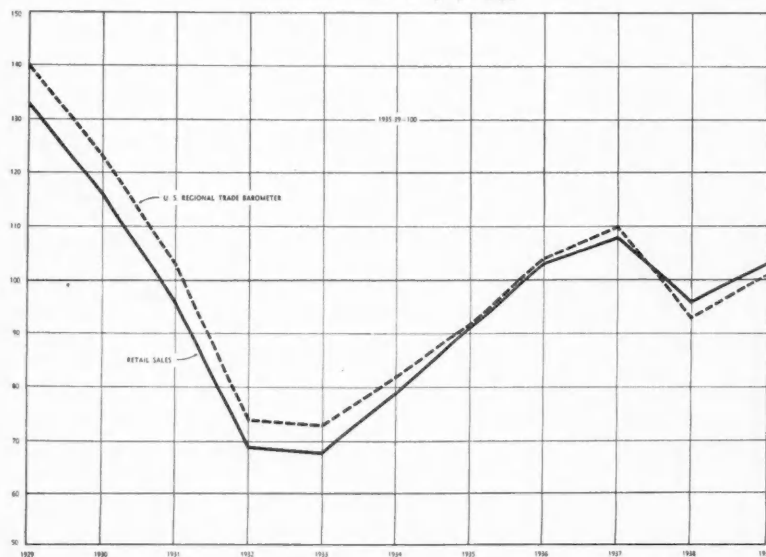
an extent that it was found necessary to compute a separate index of seasonal variation for each of the 29 regions. Each series is also adjusted for the number of business days in the month.

The data for these barometers are not all available until about six weeks after the end of the month. The barometers therefore appear in *DUN'S REVIEW* for the second month after the close of the month to which they apply (see pages

FORD (LEFT) AND LEVER BROTHERS (RIGHT) FACTORIES, EDGEWATER, N. J.—PHOTOGRAPH BY TRIANGLE



UNITED STATES REGIONAL TRADE BAROMETER COMPARED WITH
RETAIL SALES, 1929-1939



34-39.) For example, the computation of the data for January will be completed about March 10 and will appear in the April number of DUN'S REVIEW, out about April 1. The figures themselves, without the charts and without the reports of trade activity are released through newspapers and business conditions services immediately after computation and are published in DUN'S STATISTICAL REVIEW about the fifteenth of the month. (March 15 for the January figures.) In those instances where subscribers are using the figures regularly and prompt receipt of them is especially important the figures alone may be obtained a few days earlier by special arrangement with DUN'S REVIEW. Experiments are under way to determine whether preliminary figures can be prepared even earlier.

Reports With Charts

The charted barometer for each region is also accompanied by a word picture of conditions up to within a week or two before publication of this magazine. These reports are prepared by DUN & BRADSTREET, INC., and are based on information obtained from its representatives in all parts of the

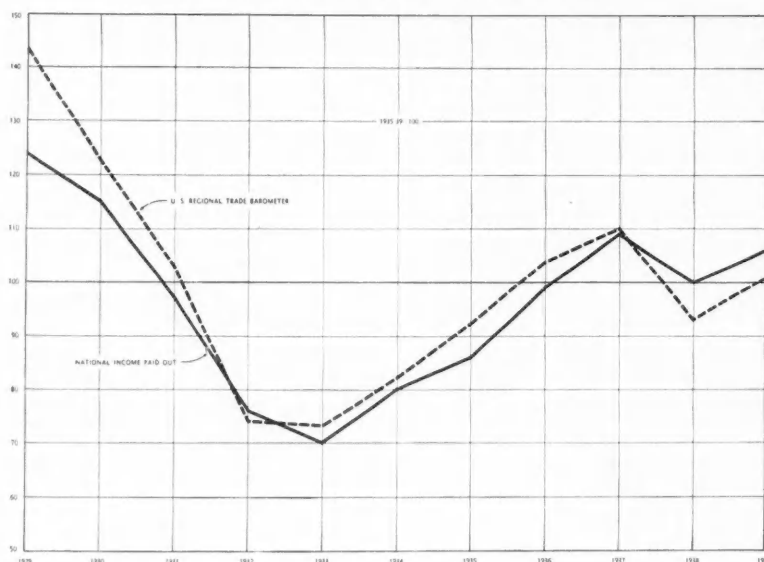
country. They not only bring the picture of conditions almost up to the minute, but they give an account of the happenings and developments in the principal industries, in agricultural pursuits, and also in wholesale and retail trade. These comments there-

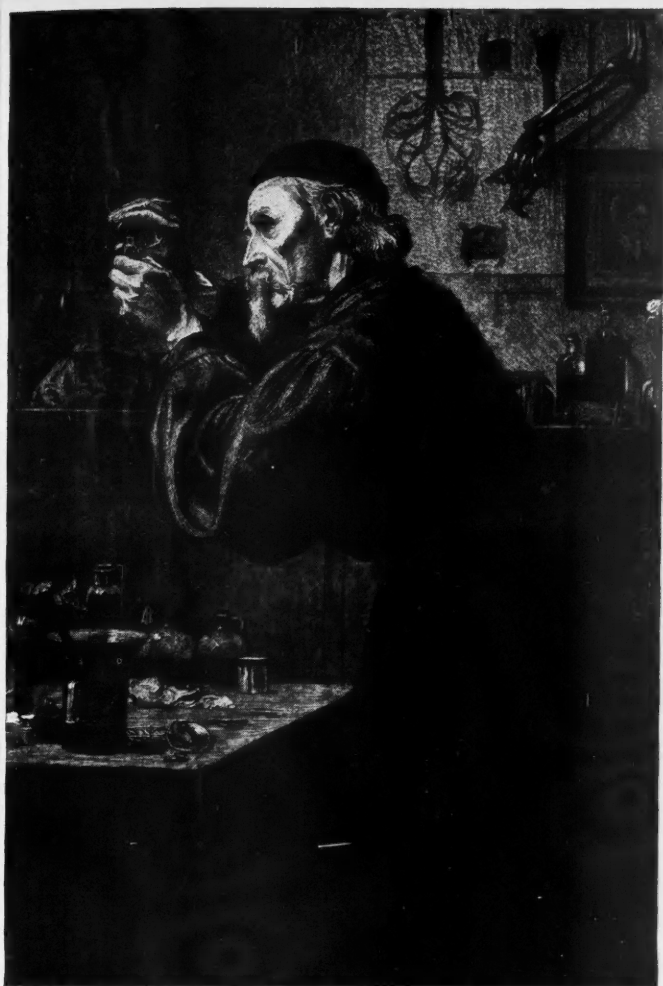
fore help to explain the fluctuations in the regional trade barometers.

The article "How to Use the Regional Trade Barometers," referred to above, tells how to compare the sales of an individual company with the barometers and how to match sales territories with the regions covered by the barometers. Adjusting sales figures for seasonal variation is also discussed.

To make comparisons with sales from month to month necessarily involves some statistical work on the part of the company using the barometers, but the cost of such statistical analysis is slight compared with the benefits and better profits that may be derived from better coordination of sales activities with conditions in different parts of the country. In fact, the whole tendency is for manufacturers with national distribution to make intensive studies of individual markets. Only with knowledge derived from such studies can they intelligently plan salesmen's activities, set up fair and accurate quotas, plan shipments and the carrying of proper inventories, and see that their advertising is properly allocated to each section of the country.

UNITED STATES REGIONAL TRADE BAROMETER COMPARED WITH
NATIONAL INCOME PAID OUT, 1929-1939





"THE APOTHECARY" (FROM "ROMEO AND JULIET")—REPRODUCED FROM THE PAINTING BY H. S. MARKS, EXHIBITED IN THE ROYAL ACADEMY OF 1876—FROM THE T. F. HEALY COLLECTION

DRUG TRADE PROBLEMS AND FAIR TRADE CONTRACTS

WROE ALDERSON

*T*HIS discussion may annoy the economists who chance to read it because they are accustomed to be annoyed at attempts to defend the fair trade laws. A retail druggist perusing the same paragraphs may ask Heaven to protect the cause from a defense like this. The writer disclaims at the very beginning any intention either of offering an unqualified defense of resale price maintenance laws or of dealing with weighty issues in a frivolous spirit merely for the purpose of arousing levity. Actually the object sought is to sweep aside some of the customary verbiage and to obtain a fresh view of the issue in a new setting.

Pharmacy is an old and honorable profession which has served the purposes of literature as well as those of public health. The challenge "What ho, apothecary!" has rung out from many a Shakespearean stage. Romeo, wishing to buy a poison to do away with himself, shouts these words before a drug store in Mantua to rouse the proprietor. The apothecary is ragged and hungry, and is possibly engaged in inflating his inventory in order to sell out to some lad fresh from pharmacy school. Shakespeare says he has "about his shelves a beggarly account of empty boxes."

Despite his misery the "caitiff wretch" still manifests a measure of druggist-like caution, reminding Romeo that the law provides the death

penalty for "uttering mortal drugs." Proceeding to demolish this argument, Romeo demonstrates that while he may have been a hot-headed youth he certainly knew the drug business. He foreshadows some of the struggling elements in the modern drug trade when he says—

"Famine is in thy cheeks,
Need and oppression starveth
in thine eyes"

but he continues at an analytical level to which some of the leaders of the drug trade do not always attain in the words—"The world affords no law to make thee rich." Perhaps these words contain the ultimate wisdom with respect to fair trade laws even though Shakespeare died in 1616.

In 1618 the first edition of the

London Pharmacopœia appeared. Sir Walter Raleigh was beheaded in that year but his fame was preserved, at least for the drug trade, by the admission into the first pharmacopœia of his "Great Cordial." The cordial was concocted of forty drugs, the formula having been the principal fruit of Raleigh's chemical experiments during his ten years in the Tower.

Also in 1618, King James I, one of the leading witch-burners of the seventeenth century, appointed William Harvey his physician extraordinary. Dr. Harvey published his treatise on the circulation of the blood ten years later, thereby founding modern physiology. Soon thereafter he confided to a friend that the book caused a sharp slump in his medical practice.

Back to Galen

Still later in the century of Galileo, Newton, and Spinoza, quinine was fighting a losing battle for acceptance into the pharmacopœia because reputable physicians hesitated to prescribe a remedy which was unknown to Galen. Galen was a singularly competent healer—but he died in 200 A.D. Not long before the "back to Galen movement" had represented real progress, for medieval medicine had found its perfect symbol in a poem of fifteen hundred lines explaining the therapeutic significance of the world "abracadabra."

Toothbrushes came into use in the early part of the seventeenth century but did not immediately displace the silver tooth scrapers used by the aristocracy. Many people continued to scrub their teeth with a cloth dipped in sulphur and oil.

The point of these historical allusions is to make it painfully clear that druggists today can afford to be modest about the state of the trade in 1618—that the date selected as a point of reference takes us back toward the beginnings of organized pharmacy. Yet in 1617, just one year earlier, the apothecaries succeeded in persuading the King's government that it was contrary

to public health to permit grocers to sell drugs or chemicals of any description whatever!

The College of Salerno which regulated medicine and pharmacy in Renaissance Italy divided apothecaries into two grades. The "stationer" was permitted to sell only standard remedies while it was reserved to the "confectioner" to fill doctors' prescriptions. Every ambitious beginner in pharmacy naturally expected to become a full-fledged "confectioner."

Therein lay his hope and inspiration while he was learning to toss off a tasty compound of fly-specks, shoe-leather, and bat's blood, or to identify that priceless ingredient "the moss scraped from the skull of a man killed by violence."

One of the assumptions underlying legislation for the drug trade today is that every druggist is, and in fact ought to be, a confectioner in the technical Salernitan sense, and that the world needs him in that capacity. In Europe the medieval distinction between the stationer and the confectioner is generally retained.

In the United States, however, the sparsity of population may have seemed to call for a less restricted character for prescription-filling. Obviously many a rural area would have to do without a prescriptionist if the alternative was to keep him alive on prescription business alone. Unfortunately for such neat geographical determinism, rural areas do generally get along without the services of professional prescriptionists, partly because so many farmers are now trading in the larger towns and partly because the rural doctor

usually likes to eke out his income by filling his own prescriptions.

In the cities the reconstitution of the Salernitan distinction among apothecaries proceeds apace. In St. Louis in 1932 ten drug stores out of 608 filled one-third of all the prescriptions. They undoubtedly filled two-thirds of all prescriptions which represented any serious therapeutic intentions. The hard-driven general practitioner gets a large share of patients who are merely lonely or hypochondriac.

The fate of the druggist as druggist is directly dependent on the fate of the current type of medical practice. The druggist has no choice but to support the drug-using physician, although both may be helpless in the long run in the face of such trends as the declining importance of materia medica in the medical school curriculum. Meanwhile it is his prescription business, real or hypothetical, which gives the druggist much of his political importance. The whole structure of boards of pharmacy, trade control of the pharmacopœia, and trade associations of exceptional power rest on that foundation.



OLDEST APOTHECARY SHOP IN AMERICA, FREDERICKSBURG, VA.—PHOTOGRAPH BY CHARLES PHELPS



PIONEER DOCTOR FRANCIS REGNIER'S CABIN—PHOTOGRAPH BY CHARLES PHELPS CUSHING

Commercially the retail drug business now draws its sustenance chiefly from two non-drug enterprises which we may call refreshments and the variety business. By the variety business is meant all the miscellaneous odds and ends which we could mostly get along without but any one of which we may want at a moment's notice. For the present purpose I am placing toilet goods and packaged medicines in this group. Variety stores have thoroughly assimilated such products as cosmetics and dentifrices into their system of merchandising, even though the drug trade feels that all such sales belong in drug stores, presumably because some pharmacists once knew how to compound some of them.

Ten-Cent Control

By comparison with the "five and tens," drug stores have had indifferent success in what is here called the variety field. The more assured success of the limited price variety stores rests on a perfectly rigid system of display and stock control and a perfectly rigid system of price stabilization. Both ele-

ments may be essential to the smooth handling of the variety business, but both have been lacking in the variety business of the drug store. Long before fair trade, a sore spot with the druggist was the complete price protection of the 10-cent size of any branded product compared with the complete lack of price protection on the 25-cent and 50-cent sizes of the same product. The drug trade has been much more successful with the fountain business. In this department the druggist is presented with a fairly definite pattern of operation which has, in part, been built into the fixture itself. The unremitting promotional work of leading manufacturers of fountain products for improved fountain management has had an influence without parallel in retailing. At the same time the druggist enjoys practically perfect price stabilization in this department. The fountain is "limited price variety" in food and refreshments on a plan which is generally feasible for independent retailers to operate.

Enter the manufacturer of packaged drugs and toiletries who has been waiting in the wings up till now in order to make a dramatic entrance in the second act. He it is who is eyed with vast suspicion by many of our would-be "confectioners" who feel that if they were not obliged to carry his confections they could make and sell their own. Such a view is obviously absurd, since the huge volume in these products has been developed by resources and methods which are quite outside the scope of the individual druggist. Other

persons whom he might more logically suspect of having a hand in eliminating his prescription business—such as the osteopath, the psychiatrist, the dietitian, and the advocate of group medical practice are in the fortunate position of not having to sell him any merchandise.

The manufacturer of packaged drugs and toiletries is obliged to maintain what are primarily diplomatic rather than sales relations with his typical retail customer. He is inclined to look upon that typical customer as a contentious, politically-minded, would-be prescriptionist who is getting along all right because he has a nice business in food and refreshments and who has a dog-in-the-manger attitude toward what I have called his variety business. The retailer swears that he has never made any money out of packaged drugs and toiletries, and he swears because he knows that some of the manufacturers have. Thus the manufacturer, who is stronger individually, is over-shadowed by retailers as a group not only politically but in some aspects of bargaining.

Product and Service

The relations of manufacturer and retailer are complicated by the fact that they are both in competition at the point of sale to the consumer. When the consumer makes a purchase in a drug store he buys both the manufacturer's product and the retailer's services. The resulting confusion which pervades most attempts to analyze the economics of distribution can best be pictured by setting up a hypothetical example from another field.

Suppose that the big boys (manufacturers) are playing football and the little boys (retailers) are playing baseball on adjacent fields. It would not contribute to the quality of playing in either game if a big boy could score a touchdown by running over and socking one of the little boys in the eye, while a little boy got credit for a home-run by running off with the football when a punt came over on the diamond.

Of course it is much more complicated than that because in distribution it is difficult to determine definitely which set of processes and institutional arrangements constitute the diamond and which the gridiron. It is necessary to look upon the retailer's business and the manufacturer's business as two

state of mind of the critics is vaguely parallel to that of a young lady who might be trying to watch the big boys play football and the little boys play baseball at one and the same time. She would probably become hopelessly crossed up if one of the football goals was called home plate simply because that end of the gridiron was right next to the diamond.

In the days of NRA Code Authorities, I conducted a statistical office which served several of them, and I had been collecting price data on many leading drug products. An eminent economist accepted an invitation to visit the office and examine the figures. While looking over charts for the large size of a well-known oral antiseptic showing the number of quotations of each price from 49 cents to \$1, the economist was asked in a wholly innocent way if he would be so kind as to help identify the competitive price. This seemed to be an ideal opportunity to confront a competitive price in real life. All the conditions were present—single market, product identical and in general use, keen competition between sellers, each seller assured of a continuous supply of the product, and no very marked differences in the services which went along with the product. Surely the forces of supply and demand would speak in unmistakable accents in such a case, indicating a price that no supplier would need to go below nor would dare to go above.

Equilibrium Price

So ardently did I believe then in the concept of an equilibrium price that he had to assume that one was there under all that maze of divergent practice—that the uniform price determined by marginal considerations was lurking there if he could penetrate its thin disguise.

Was the competitive price the one at which the greatest number of competitors chose to sell?

Was it the price at which the greatest number of buyers chose to buy?

Was it the price out of all the prices

quoted which would have moved the most goods if it had somehow happened that every seller offered the product at the same price?

Was it no actual price at all but a computed average price in which each actual price was weighted by the units sold at that price?

Of course all of these were foolish questions. When it is understood why they are foolish questions the fearsome dragon of fair trade dissolves like the mist, leaving the maiden of free competition unscathed and with no need for a champion in that context.

The clue to the mystery was suddenly revealed sometime later upon hearing another well-known economist use the term "efficiency market-wise" with reference to retail price policies. He said that the price-cutting druggist who offered to sell a leading toothpaste at a lower price than his competitors was exhibiting "efficiency market-wise." Now the truth is that in an operation so saturated with joint costs as drug retailing the price at which the druggist offers any one product or a limited group of products has no relation to efficiency whatever. Individual prices are chosen by him largely in an arbitrary fashion. Normally his choice has to be arbitrary because he does not know what his costs of handling those particular products are. His efficiency, however qualified, is no different on the day he offers a cut price on a leading toothpaste than it is on the days he uses some other appeal. It is only one man's guess as to whether it will even turn out to be good price strategy, and the chances are very much against any particular price having a deciding influence on his survival in business.

Of course we can agree that improvements in efficiency should continue and should result in bringing the same values to the consumer at lower prices, and that no operation should be called efficient simply because it is impressively systematic. But the point is that a retailer of 10,000 items is seldom in competition in any crucial sense in the sale of any one of them. Without retail



CHARLES PHELPS CUSHING

separate games since we are trying to judge the proficiency of different sets of players with respect to operations which are quite distinct. We should hold the retailer responsible for his overall margins and services, but there is not much point in holding him responsible for prices to the consumer on leading advertised products, because there is little that he can do about them from where he stands.

In other words, it is constructive to define retail prices of individual drug products as lying on the gridiron rather than on the diamond. Whether fair trade laws are good or bad in their ultimate effect, it is certain the critics are confused in talking about monopolistic price-fixing when manufacturers choose to acknowledge that they are in competition at the retail level. The

cost analysis, that retailer can have no notion as to what is the true competitive price on a given product. Retail prices cannot be positively determined by marginal considerations because these considerations are not known with respect to individual products. The best we have is the retailer's guess and within broad limits he can guess wrong with impunity because marginal considerations are equally vague for the buyers.

Over-All Margin

The retailer is selling store services which he collects for by adding mark-ups to the prices of the products he handles. His survival, in so far as it can be influenced by his own actions, depends on an over-all impression of satisfactory service measured against an over-all impression of reasonable prices. It is his total operating cost and gross profit which somehow gets evaluated in competition rather than his prices or margins on single products. The two

forms of efficiency which have something to do with his survival are efficiency in creating values and efficiency in creating impressions about those values.

The fair trade contracts on a limited number of items *need* have absolutely no effect on the total values offered by the retailer. The most aggressive or the most charitably inclined retailer has plenty of other items on which he can reduce prices in order that his total gross margin shall not be any higher than before. Thus retail efficiency in producing values need not be impaired, over-all, by fair trade contracts. Neither is the retailer's capacity for producing impressions about values affected in any fundamental way. Impression-creating by retailers is a purely competitive art and it is no affront to public policy when the art is compelled to develop in new directions.

If even a single item sold by a given group of retailers is under fair trade contract, and retailers generally sell it

at the minimum price, it is no longer possible for one retailer in the group to say—"We sell everything for 6 per cent less than our competitors." However, any retail organization which could think that one up would undoubtedly be capable of creating an equally clever promotional slogan that would conform to the new rules of the game.

In another aspect, namely, that of the retailer's relations to the supplier, the retailer who was willing to take an unusually low margin on a given product might in some cases be said to be bidding for special support from the maker of that product. That form of competition is not crucial either since it is not feasible in retail distribution to turn the whole job over to the lowest bidder. That is the real reason why some manufacturers favored fair trade legislation. In fact manufacturers were making frantic efforts to obtain balanced support from the whole retail trade long before fair trade laws. The shrewd price-cutter was frequently seeking to be bought off rather than expecting any special reward for continuing his low-cost distribution service to the manufacturer.

Collective Bargaining

From the standpoint of retailer-manufacturer relations fair trade contracts are a form of collective bargaining, although neither side likes to call it that. Or rather the contract establishes the basis for collective bargaining, for when the manufacturer takes responsibility for the retail price the retailer actually becomes his sales agent. When a contract is in the offing the retailer may suggest through his fair trade committee how much he thinks he ought to get. Remarkably enough the minimum margins which get set by this process usually bear some relation to retail handling costs, as measured by our scant knowledge of that subject. On some products the retailer is given less than his average margin and on some he is given more than his average margin, but the low margins tend to run with low handling costs



and vice-versa. Anything else is likely to prove a costly mistake for the manufacturer. In the long run it will be competitively sound for the manufacturer to pay for as much as and no more retail services than his product requires.

A corresponding system of price control has prevailed in the automobile industry for years. Strangely enough the fact that automobile manufacturers compete at retail has never appeared to be an outrage to public policy. In drugs there may be no way to get retail prices which are competitive in the sense of the marginal analysis other than by having retail prices set by manufacturers. In so far as there is a tendency for the greatest number of packages of the product to be sold at the minimum price set by contract and in as much as retail costs on that product are considered in setting the price, that price bears a striking resemblance to the equilibrium price we sought in vain when considering price data pertaining to "free" competition.

In short, fair trade contracts are an attempt to straighten out a problem of retailer-manufacturer relations which does not necessarily react upon retailer-consumer relations at all. Some fear that fair trade may take some of the glamor and excitement out of drug store merchandising. If the analysis of the drug store as primarily fountain and variety business is correct, experience seems to show that glamor does not fit into that kind of merchandising anyway. Even if the typical drug store loses its prescription business entirely it will not lose its service character since the other two main divisions are of a service character also. Service businesses seem to require system more than glamor, and fair prices all over town every day in the week rather than a price circus in a few places now and then.

From an operating viewpoint the fair trade laws, as

applied to the "variety" end of the drug business, tend to give the drug store one of the advantages which have helped the limited price variety stores to succeed. Retailers, barred from the unproductive pastime of trying to out-guess each other in creating a specious price appeal by manipulating the prices of a few leading products, are already turning their attention to more constructive efforts. Those who have the skill and the patience may even undertake the formidable task of educating consumers to be price-conscious along more fundamental lines.

Fuzzy Prices

Manufacturers are doing more hard thinking about price than they have in generations. The sale of their products at fair trade minimum prices provides a clear-cut basis for retail price comparisons. As soon as there is basis for comparing prices at retail it becomes clear that the manufacturer cannot permit himself to be undersold by a product of equal value.

The prices at retail on the same product once varied so widely from store to store that clear comparison between competing products was difficult or impossible. Formerly many manufacturers had ridden along on the downy cushion of such "fuzzy" retail prices. It is "fuzzy" prices rather than "sticky" prices that have softened the impact of competition in this field.

Consumers who were interested in price shopped around and frequently were able to secure an edge over other buyers through this extra diligence. Meeting the pressure from price-conscious buyers by such price discrimination is an easy way of pacifying them and relieving the pressure which they would otherwise bring to bear on the general price level of the product. Recent economic discussions have emphasized "sticky" prices, but it was "fuzzy" prices which softened the impact of competition in this field.

Fair trade legislation might thus prove beneficial on the whole according to the reasoning of economic orthodoxy. If it is desired that leading drug products be sold at prices determined by competitive equilibrium it must be recognized that the area in which such an equilibrium can be established lies directly between the consumer and the manufacturer. The latter is the only one who is vitally interested in the sale of a particular brand.

The retailer may be regarded simply as a facilitating agent. He can decide that he is adequately paid for the services he performs for a product and give it a free flow through his store. He may decide that he wants to sell as little of it as possible and that he can make more money by devoting his attention to his fountain or prescription business. In either case, his decision will not have a very momentous effect upon his survival.

It is only the manufacturer of a drug product who goes out of business if the retail price of the product is wrong. Under fair trade the manufacturer is confronted more squarely than ever before with the problem of keeping his retail prices in line; low enough to maintain his volume of sales, high enough to give him a profit after providing satisfactory compensation for retailers and wholesalers.





ROOSEVELT AND WALLACE, THE WINNING TEAM—PHOTO BY HARRIS AND LEWING

BUSINESS DIARY

November 1940						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

EVENT OF THE MONTH

President Roosevelt with 449 electoral votes wins the election and a third term; Democratic control of Senate and House of Representatives maintained.

GUAM suffers worst typhoon since 1900. Independent Pneumatic Tool Company has developed a power screw driver and tray which increase operator's speed three to nine times, handling each screw in two motions.

5 PRESIDENT ROOSEVELT and Henry A. Wallace elected.

6 TWENTY-THOUSAND Italian industrial laborers to work in Germany. . . . Pepperell Manufacturing Company offers trade-in allowance on old bed sheets.

7 U. S. DEPARTMENT OF AGRICULTURE increases export flour subsidy rate to Western Hemisphere countries from 85 cents to \$1.05 a barrel.

11 ARMISTICE DAY. . . . Unemployed French workmen move to jobs in Germany. . . . U. S. Treasury decides British Purchase Tax must be included in import valuation statements and assessed as part of value.

12 FEDERAL RESERVE to be co-ordinating agent for full co-operation of sub-contractors and small business. Machine tool priority committee established. . . . Butter futures in Chicago advance for eighth consecutive session, to 31 cents a pound, season's high.

13 JAPAN contracts for 1,306,000 tons of oil and oil products from Netherlands Indies. . . . Former commander-in-chief of combined Nipponese fleets defines area of "new order in Asia" as including Australia, Philippines, China, Tibet, and East Indies. . . . Midwest blizzard toll 102.

15 MIDTOWN TUNNEL between Manhattan and Queens, New York City, opens. . . . Mercury crosses Sun 30 seconds earlier than expected. . . . ICC denies application of The Transport Company, \$25,000,000 projected trucking merger.

DURING THE MONTH

Germany strikes heavily at British shipping and industrial cities. . . . Italian army scampers back to Albanian bases. . . . Severe earthquake in Roumania.

SOY BEAN price reaches \$1 a bushel. . . . Recent patents cover portland cement which does not give off dust when handled, magnesium alloys which can be bent, rolled, or drawn without cracking, instant drying printing ink, and a rubber belt for sorting materials of different sizes. . . . Effect on human energy of too much heat can be overcome by doubling intake of vitamin B₁.

16 RFC offers to finance at 1½ per cent interest when defense plant construction or expansion calls for Government reimbursement; and to finance at not more than 4 per cent when reimbursement feature is absent.

18 HUNGARY joins Axis alliance of Germany, Italy, and Japan. . . . Department of Agriculture announces 1940 corn loan rate of 61 cents a bushel, 4 cents above 1939.

21 THANKSGIVING in 32 States.

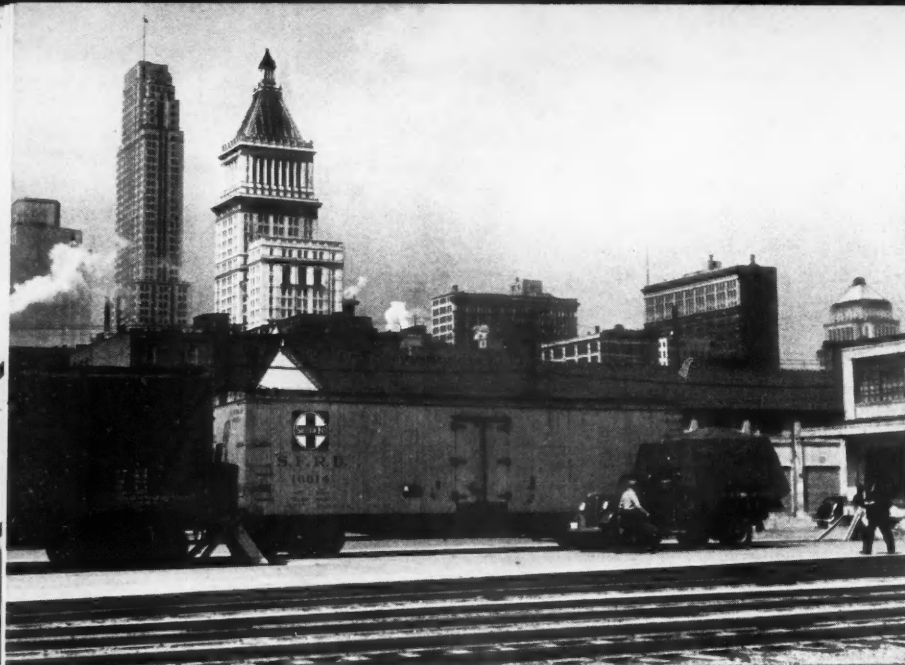
23 ROUMANIA signs Axis alliance. . . . All productive activities in Nipponese Empire will be controlled by a supreme economic council, says plan drafted by business for capitalist management under state control.

26 U. S. SENATE confirms Dr. Harry A. Millis to NLRB. . . . British Isles ban banana imports.

28 THANKSGIVING in sixteen States. . . . London receives control of Greek merchant fleet. . . . United States and fourteen Latin-American nations sign agreement dividing world coffee markets on quota basis.

30 UNITED STATES arranges to lend China \$50,000,000 and use \$50,000,000 from currency stabilization fund to maintain yuan. . . . Transparent glass which absorbs ultra-violet and X-rays has been patented.

[31]



CINCINNATI, OHIO; DOWNTOWN SKYLINE—PHOTOGRAPH BY CHARLES PHELPS CUSHING

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

More goods are being produced than ever before in our history. Armament requirements are responsible for the sharp expansion in production since last Summer. Now that national income is the highest in ten years, retail trade figures are reaching boom proportions. At current turnover the enlarged inventories of manufacturers are no problem. Wholesale prices show steadiness at about the peak of the 1939 rise.

BUSINESS concludes 1940 at a record-high level. Because of large unfilled orders, industry has been slower than usual in tapering off operations for the holiday period and the physical volume of production in the last quarter of the year exceeds all previous peaks. Total dollar volume of income is the greatest since early 1930. Moreover, the lower prices for goods now prevailing apparently account for any difference in income flow between the 1920 peaks and the present, and total consumer buying ability measured in physical units is thought to be at least as high as in the best earlier years.

Recent trade reports indicate that the enlarged income is percolating through

to retailers at a rapid rate. Early trade estimates of an increase in Christmas buying of more than 5 per cent over last year are more than substantiated by the figures thus far (December 24) available. Industrial centers, which by and large continue to make the best showing, frequently report the volume of sales heaviest since 1929. Along with the brisk retail purchasing, Government spending for defense continues to rise. Total defense expenditures for the Army and Navy in November, reported by the U.S. Treasury, amounted to \$365,033,579, three times the money spent on these items in the same month of 1939. The difference between Government receipts and disbursements—

usually referred now as the net addition to purchasing power by the Government—was larger this November than for any month since the bonus distribution of 1936.

Industry itself shows an increasing willingness to venture capital for expansion. Corporate issues for new capital increased sharply in November and, with the exception of November 1936, were the greatest for that month since 1928. Private engineering awards in November, although still overshadowed by the heavy volume of public construction, topped last November's figure by 14 per cent. The steel industry, one of the lines in which demand has far exceeded production in the past few months, reports several projects for a substantial expansion in output. Capacity in the machine tool industry is said to have increased by 55 per cent since September 1939. In the aircraft industry, the increase in productive floor space since the beginning of the year is almost 100 per cent, with an additional 100 per cent expansion now under way.

Peak production rates so far have not materially changed industry's inventory position relative to sales. Stocks of producers and distributors are higher than a year ago but for the most part not significantly above holdings of the first part of this year. Indicative of a strong supply-demand relationship, the general level of wholesale prices advanced in November and now holds firm at approximately the peak reached in 1939.

Industrial activity: According to available information, manufacturers are going into the new year with the largest volume of unfilled business in history. Although industrial production, measured by the FRB adjusted index, has averaged close to 130 per cent of the 1935-1939 average during the last quarter, ordering has more than kept pace.

Incoming business reached a new record peak in October. Since then there has been some evidence of a moderate let-up in purchasing: Government

contract placing shows a slight decline and industrial and trade covering also is somewhat less active than earlier. But shipments still have not caught up with orders in many lines and no material inroads appear to have been made into backlogs of orders.

Busiest industries, of course, are those in the durable goods field. As of the end of October, unfilled orders held by manufacturers of this type of goods were 67 per cent above the corresponding time a year ago (U. S. Bureau of Foreign and Domestic Commerce). During November, the steel industry operated at 96.5 per cent of rated capacity, producing 6,282,824 net tons of steel ingots (American Iron & Steel Institute). The machine tool industry worked at 95.4 per cent of capacity, with capacity increased an additional 3 per cent in the month (National Machine Tool Builders' Association). Shipyards had under construction 314 vessels with a gross tonnage of 1,591,540 tons (American Bureau of Shipping). Production of cars and trucks amounted to 514,500 units, highest since June 1937 (Automobile Manufacturers' Association). Permits issued for building in 215 cities totalled \$102,539,657, largest for any November in 10 years.

Consumer income: National income on an adjusted basis showed another advance in November although farm cash income declined somewhat more than seasonally. Preliminary estimates indicated that factory employment was still slightly below the 1937 peak but total factory payrolls were larger than at any time since 1929. The index of all income payments (U. S. Department of Commerce) moved up to a new high in November, exceeding all months since 1930 except June 1936 when income was raised temporarily by the bonus distribution.

While income continued to go higher, retail prices showed very little change in November. Wage earners' living costs increased only 0.5 per cent over a year ago, decreased 12 per cent as compared with the period in 1930

Industrial Production

Federal Reserve Board Adjusted Index*
1935-1939 = 100

	1937	1938	1939	1940
January	116	86	102	122
February	117	84	101	116
March	120	84	101	113
April	120	82	97	111
May	121	80	97	115
June	119	81	102	121
July	120	86	104	121
August	120	90	104	121
September	115	92	113	125
October	107	95	121	129
November	95	100	124	132
December	87	101	126	

* Revised August 1940.

Factory Payrolls

U.S.B.L.S. Index
1923-1925 = 100

	1937	1938	1939	1940
January	94.6	75.3	83.7	98.4
February	100.1	77.5	86.0	97.9
March	105.9	77.6	87.6	98.4
April	109.7	74.9	85.5	96.5
May	110.1	73.2	85.0	96.4
June	107.6	71.1	86.5	98.1
July	105.2	71.1	84.4	96.8
August	108.7	77.3	89.8	104.0
September	104.9	81.6	93.9	110.0
October	104.9	84.2	101.7	114.5
November	93.3	84.4	101.7	
December	84.6	87.1	103.9	

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1937	1938	1939	1940
January	93	90	88	92
February	95	88	87	89
March	93	86	88	89
April	93	83	88	89
May	93	78	85	87
June	93	82	86	91
July	92	83	86	91
August	93	83	89	99
September	94	86	90	98
October	93	84	92	94
November	91	89	93	101
December	89	89	96	

Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100

Week	Sept. 1940	Oct. 1940	Nov. 1940	Dec. 1940
I	78.0	77.8	78.5	79.8
II	77.9	78.1	78.8	79.7
III	77.7	78.4	79.3	
IV	77.2	78.6	79.5	
V			79.7	

Industrial Stock Prices

Dow-Jones Index (Weekly Average)

Week	Sept. 1940	Oct. 1940	Nov. 1940	Dec. 1940
I	132.38	134.12	133.47	130.67
II	128.78	131.36	135.94	131.90
III	131.09	131.88	136.26	
IV	133.55	131.76	132.93	
V			130.81	

when all income payments were at the current level (Conference Board).

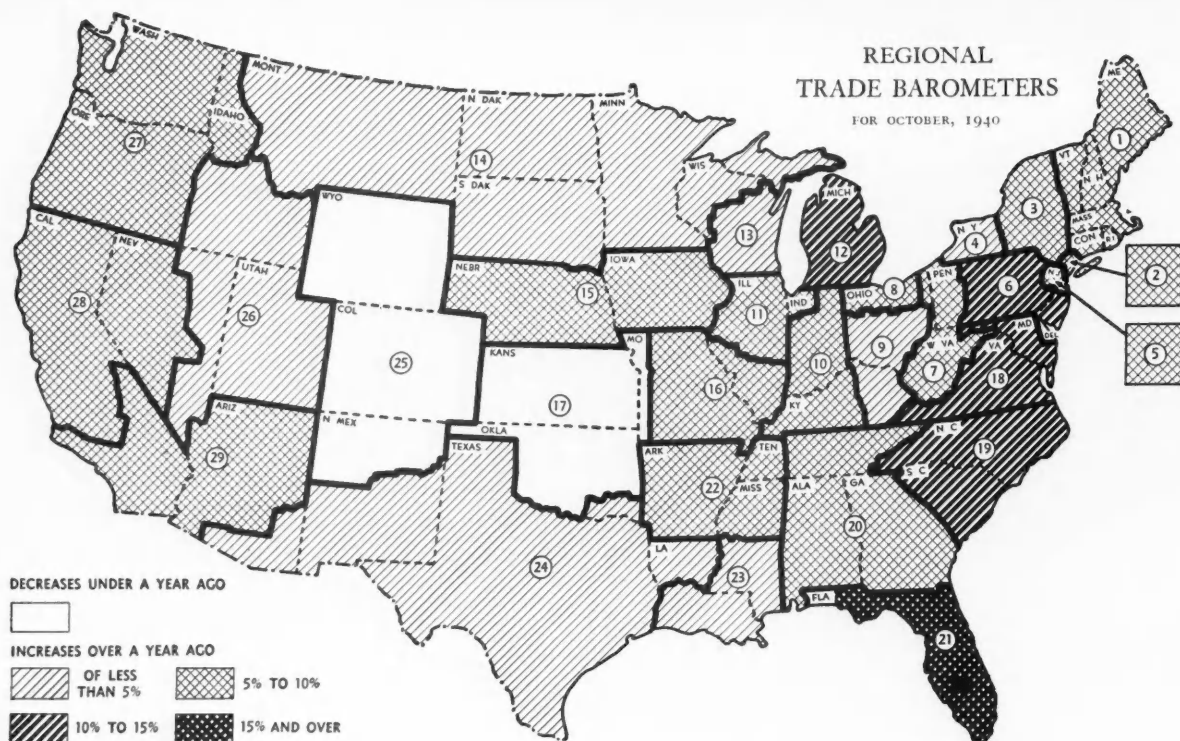
Consumer buying: Retail trade rose to the holiday peak so rapidly this year that seasonally-adjusted indexes of buying jumped ahead in November to the highest point reached since early 1930. The FRB adjusted index of department store sales touched 101 per cent (1923-1925=100) and the more general DUN'S REVIEW trade barometer registered 107 per cent (1928-1932=100). (See pages 33-37).

Compared with a year ago, holiday purchasing through mid-December was estimated to be running 7 to 10 per cent heavier. The major factors were said to be a gain in unit sales and demand for better grades.

Prices: After a steady advance since August, prices of basic commodities levelled off in the first part of December at the high for the year, which was also equal to the peak reached in September 1939. For the week ending December 14, the USBL index of wholesale prices was 79.7, about 1 per cent above the level a year ago.

Despite the increase in business volume and earnings, stock prices continued to show irregularity. At mid-December, the Dow-Jones industrial stock price average was back to the level prevailing before the mild November rise, and approximately 7 per cent below last year.

Money and banking: The increase in business borrowing continued right through mid-December, although in past years there has usually been some contraction by that time; for the week ending December 11, commercial, industrial, and agricultural loans totalled \$4,992,000,000, substantially above the previous peak of 1937. Total capital flotations by corporations declined in November to \$261,186,000 from the three-year high of \$392,625,000 in October, but issues for new capital increased sharply from \$47,278,000 to \$168,699,000.



TRADE LEVEL HIGHEST SINCE 1930

The United States Trade Barometer rose to 107.4 (preliminary) in November from 94.3 in October. Barometer figures are compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by branch offices of DUN & BRADSTREET, INC.

CONSUMER buying has reached the largest volume in more than a decade. The United States Trade Barometer for November stood at the highest level since June 1930, while reports for early December indicated that the trend was still upward, and that the best Christmas season since 1929 was in full swing.

Gift items were, of course, foremost among the December purchases, but buying was gratifyingly broad. Home furnishings moved well, as did seasonal clothing, automobiles, groceries, and other merchandise of a general utility nature. Most items purchased were in the medium-price ranges, but a trend was noted toward buying better-grade merchandise.

Wholesalers experienced a less-than-usual seasonal slackening in activity, as retailers continued to place substantial replacement orders for toys, outdoor sportswear, furs, evening wraps, handbags, and other gift and apparel items. Forward purchasing of Spring lines was generally reported

to be somewhat greater than at the same time last year.

Payroll increases stemming from the sharp rise in industrial activity were a major factor in sales gains during November and the first half of December. Scattered individual stores reported increases over a year ago of 25 to 30 per cent—in a few instances even as much as 50 per cent. Heavy industrial centers generally reported better-than-average increases; among the broad geographical areas the best gains were noted in the East, the South, the Southwest, and the Middle West. Particularly unfavorable weather conditions hampered trade in the Minneapolis and St. Paul region, where the temperature in early December dropped to 35 degrees below zero in some localities, and influenza on the West Coast was a retarding influence in that section.

Trade volume for the entire country in November, as measured by the seasonally adjusted United States Trade Barometer, was 14 per cent above a year ago. Contributing

to the increase were a brisk turnover in Winter apparel lines as temperatures dropped, an unusually good Thanksgiving food volume, and a favorable early interest in buying Christmas gifts.

Seasonally adjusted barometers of consumer spending comparing twenty-nine trade regions, now available for October, indicate that only two regions of the twenty-nine, Kansas City and Denver, reported volume in October below the same month a year ago. Even in these regions the losses were small, 1 and 2 per cent, respectively.

Other parts of the country recorded increases ranging up to 18 per cent for the Florida region. Increases of 10 per cent or more were registered in four other regions: Philadelphia, Detroit, Maryland and Virginia, and North and South Carolina. The average gain for the entire country was about 7 per cent.

In sixteen regions consumer buying activity made a better-than-seasonal showing in October as compared with September. The largest month-to-month increases occurred in the St. Louis and Memphis regions.

(Charts and trade reports for each region begin on next page)

THE MAP AND CHART compare the October, 1940, indexes with those for the same month a year ago. The column at the extreme right of the chart indicates the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions are charted, with U. S., from 1938, on pages 36-39. They are composites based on bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (*Editor and Publisher*), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100. The preliminary figure for the United States is computed one month before regional figures are available.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for October based on samples of department and retail stores reporting to Federal Reserve banks; for November and for the first half of December based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices.



REGIONAL TRADE BAROMETERS

REGION	Oct. 1940 Regional Index	Oct. 1940 Compared with Oct. 1939 (%)					Retail 1935 Sales %
		-10	0	+10	+20	+30	
U. S.	94.3					+ 7.4	100.0
1. NEW ENGLAND	81.0					+ 7.4	7.8
2. NEW YORK CITY	78.5					+ 5.7	10.3
3. ALBANY AND SYRACUSE	95.8					+ 5.3	2.6
4. BUFFALO AND ROCHESTER	84.8					+ 4.6	1.9
5. NORTHERN NEW JERSEY	86.1					+ 5.4	2.9
6. PHILADELPHIA	89.0					+10.7	6.2
7. PITTSBURGH	90.6					+ 5.7	3.7
8. CLEVELAND	106.6					+ 7.2	2.9
9. CINCINNATI AND COLUMBUS	108.1					+ 4.3	3.1
10. INDIANAPOLIS AND LOUISVILLE	110.1					+ 7.3	2.6
11. CHICAGO	92.0					+ 9.7	6.4
12. DETROIT	111.0					+14.4	4.0
13. MILWAUKEE	92.4					+ 3.7	2.2
14. MINNEAPOLIS AND ST. PAUL	100.5					+ 4.9	4.5
15. IOWA AND NEBRASKA	82.8					- 8.0	3.0
16. ST. LOUIS	101.0					- 7.1	2.5
17. KANSAS CITY	84.6					- 0.8	3.6
18. MARYLAND AND VIRGINIA	113.6					-10.9	3.8
19. NORTH AND SOUTH CAROLINA	106.8					-10.9	2.1
20. ATLANTA AND BIRMINGHAM	118.2					- 5.4	3.5
21. FLORIDA	149.4					-17.8	1.3
22. MEMPHIS	106.6					- 9.7	1.5
23. NEW ORLEANS	97.0					- 0.8	1.0
24. TEXAS	106.7					- 2.6	4.5
25. DENVER	101.8					- 2.3	1.3
26. SALT LAKE CITY	97.8					- 2.1	.8
27. PORTLAND AND SEATTLE	97.7					- 7.6	2.7
28. SAN FRANCISCO	96.2					- 9.3	3.4
29. LOS ANGELES	95.7					- 7.5	3.9

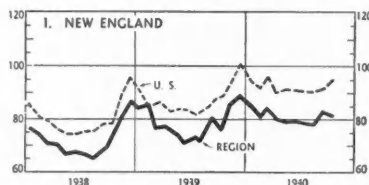
THE REGIONAL TRADE BAROMETERS

These indexes of consumer purchasing are corrected for seasonal variation; the monthly average for the five years 1928-1932 equals 100 (see preceding page). Charts showing the curves since January 1929, were published in the September

1940, number and will appear again in March. Additional information about the indexes and about their especial usefulness in regional sales quota work, back figures, and data about regional boundaries are available for users of the indexes.

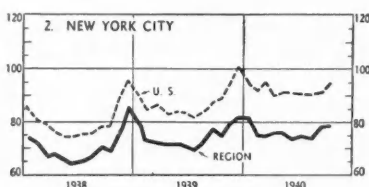
1. NEW ENGLAND

OCT., 81.0 SEPT., 82.9 OCT. 1939, 75.4
OCTOBER—Percentage department store sales increases over previous October: Boston 5, Providence 9, New Haven 13. NOVEMBER—Percentage retail trade increases over previous November: Bangor-Providence 8, Portland-Boston 5, Springfield 15, Hartford 20, New Haven 10. Wholesale trade increases: Portland 0, Boston 5, Springfield 10. Payrolls and production generally above a year ago. Many plants in Worcester running three shifts six days a week. Steel, machine tool, and allied industries report substantial backlog of orders, principally in connection with the defense program. Textile plants very active. Collections steady. DECEMBER—Holiday buying good as consumer incomes continue to increase.



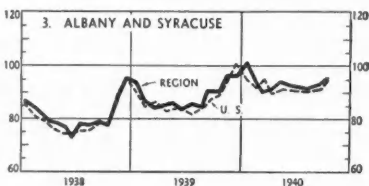
2. NEW YORK CITY

OCT., 78.5 SEPT., 78.2 OCT. 1939, 74.3
OCTOBER—Percentage department store sales increases over previous October: New York and Brooklyn 9, Bridgeport 12, Westchester and Stamford 9. NOVEMBER—Percentage retail trade increases over previous November: Bridgeport 10, New York City department store sales 6, parcel deliveries 0, hotel sales 7. Automobile registrations in New York City 55% above last November. Manufacturers of women's dresses report shipments up 4% over October. Most knit goods manufacturers report sales increases up to 6% over a year ago. Bank clearings 12% above a year ago in New York, off 11% in Westchester County. Collections better than a year ago. DECEMBER—Department store sales about 10% above last year.



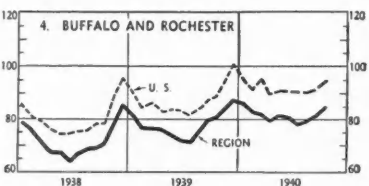
3. ALBANY AND SYRACUSE

OCT., 95.8 SEPT., 93.3 OCT. 1939, 91.0
OCTOBER—Percentage department store sales increases over previous October: Syracuse 14, Northern State 3, Central State 15. NOVEMBER—Percentage retail trade increases over previous November: Albany 0, Binghamton 13, Utica 7, Syracuse 8. Wholesale trade increases: Albany 2, Syracuse 6. Farm prices steady. Payrolls and production above last year. Albany electrical and railway equipment companies making plant additions to care for defense manufacturing. Textile and knit goods plants operating close to capacity. Binghamton shoe production 10% higher than a year ago. Collections steady to better than a year ago. DECEMBER—Holiday shopping above a year ago. Industry continues active.



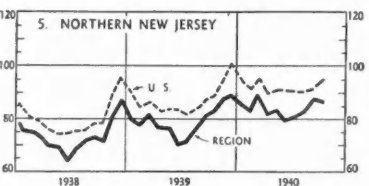
4. BUFFALO AND ROCHESTER

OCT., 84.8 SEPT., 81.2 OCT. 1939, 81.1
OCTOBER—Percentage department store sales increases over previous October: Buffalo 4, Rochester 9. NOVEMBER—Percentage retail trade increases over previous November: Buffalo 10, Elmira 13, Rochester 3. Buffalo wholesale trade 8% above a year ago. Farm income up about 5% from the year-ago level. Production and payrolls above last year. Large numbers of workers added in Buffalo railroad repair shops, automobile plants, and airplane and tank factories. Closing of canneries in Rochester accounted for loss of 1% in employment and payrolls from October in that city. Collections steady. DECEMBER—Blizzard hampered retail sales, but volume averaged about 6% higher than a year ago. Industry active on defense orders.



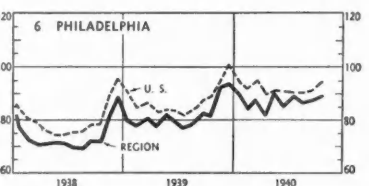
5. NORTHERN NEW JERSEY

OCT., 86.1 SEPT., 87.2 OCT. 1939, 81.7
OCTOBER—Northern New Jersey department store sales 10% above previous October level. NOVEMBER—Newark retail trade 6% above a year ago, up 11% from October level. Wholesale trade increased 4% over a year ago, 10% over previous month. Production, sales, employment, and payrolls above both last year and October. New Jersey contracts since July 1 totalled \$1,125,668,000; \$159,013,329 awarded between November 1 and November 15. Bank clearings up 3% from last November in Newark, up 7% for Northern New Jersey as a whole. Collections better than a year ago in all divisions; steady with October in retail and manufacturing lines, better in wholesale. DECEMBER—Retail trade 5 to 10% above similar period of last year.



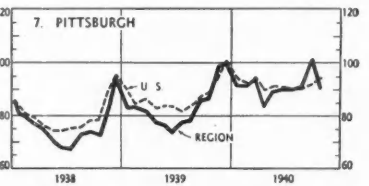
6. PHILADELPHIA

OCT., 89.0 SEPT., 87.6 OCT. 1939, 80.4
OCTOBER—Percentage department store sales changes from previous October: Trenton +13, Philadelphia +8, Scranton -3, Wilkes-Barre -2, Harrisburg +13, Wilmington +11. NOVEMBER—Percentage retail trade changes from previous November: Trenton +15, Allentown +9, Philadelphia +1, Reading +12, Scranton -3, Wilkes-Barre -4, Williamsport-Wilmington +8, Harrisburg +5. Philadelphia wholesale trade 4% below previous November. Payrolls and production above last year. Durable goods industries 35% ahead of 1939; consumers' goods up about 10%. Employment at Philadelphia Navy Yard much greater than in 1939. DECEMBER—Retail, wholesale, and industrial activity high.



7. PITTSBURGH

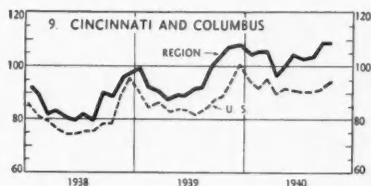
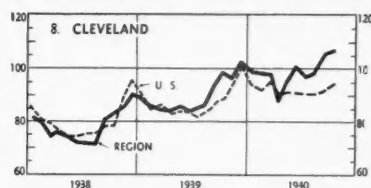
OCT., 90.6 SEPT., 100.1 OCT. 1939, 85.7
OCTOBER—Percentage department store sales changes from previous October: Erie +9, Pittsburgh-West Virginia State +5, Wheeling -6. NOVEMBER—Percentage retail trade changes from previous November: Erie +8, Pittsburgh +6, Youngstown +7, Huntington -5, Charleston (Continued directly opposite)



+13. Wholesale trade increases over last November: Erie 10, Pittsburgh 9, Charleston 8. Payrolls and production steady to above last year. Steel output averaged 95% of capacity as compared with 93% in November 1939. Chemical and glass manufacturing increasing. Coal production off somewhat in month. Collections vary. DECEMBER—Retail volume moderately above a year ago. Steel operations at record level.

8. CLEVELAND

OCT., 106.6 SEPT., 106.0 OCT. 1939, 99.4
OCTOBER—Percentage department store sales increases over previous October: Cleveland 6, Akron 9, Toledo 3. NOVEMBER—Percentage retail trade increases over previous November: Cleveland 9, Akron 18, Toledo 20, Lima 5. Wholesale trade increases: Cleveland 12, Akron 11, Toledo 10. Crop situation normal and prices satisfactory. Payrolls and production above both a year ago and previous month. Machine tool and steel industries setting new records. Employment rising. Akron rubber factories hit employment peak with 30,806 workers on payroll. Large amounts of Government orders in this region. Collections better than a year ago. DECEMBER—Retail trade 10% above last year. Industry continues very active.

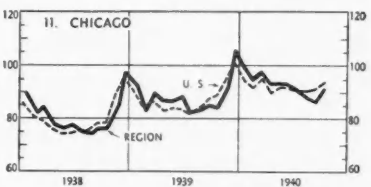
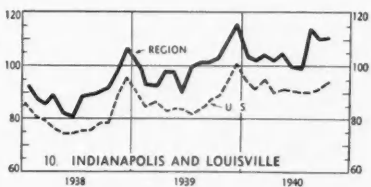


9. CINCINNATI AND COLUMBUS

OCT., 108.1 SEPT., 108.9 OCT. 1939, 103.6
OCTOBER—Percentage department store sales increases over previous October: Cincinnati 5, Columbus 3. NOVEMBER—Percentage retail trade increases over previous November: Cincinnati 10, Dayton 26, Springfield 4, Columbus 11, Zanesville 5, Lexington 9. Wholesale trade changes: Cincinnati 0, Columbus —8. Production and payrolls above a year ago in Cincinnati, spotty in Columbus. Columbus shoe manufacturing steady with a year ago, machinery production higher, and manufacturing of steel castings lower. Cincinnati machine tool industry very busy on defense orders; new aviation plant beginning to operate, will employ 15,000 or more. Collections fair to good. DECEMBER—Tobacco market opened. Retail volume good.

10. INDIANAPOLIS AND LOUISVILLE

OCT., 108.1 SEPT., 108.9 OCT. 1939, 103.6
OCTOBER—Percentage department store sales changes from previous October: Louisville +14, Indianapolis +6, Fort Wayne —3. NOVEMBER—Percentage retail trade changes from previous November: Louisville +13, Evansville +5, Indianapolis +15, Terre Haute —2, Fort Wayne —15. Wholesale trade volume 10% above a year ago in both Indianapolis and Louisville. Payrolls and production generally well above last year. Defense program bringing approximately \$250,000 worth of business per month to Fort Wayne factories; payrolls in Louisville and vicinity greatly increased by construction of a munitions plant at Charlestown, Ind., and barracks at Bowman Field and at Fort Knox. DECEMBER—Retail sales well above a year ago.

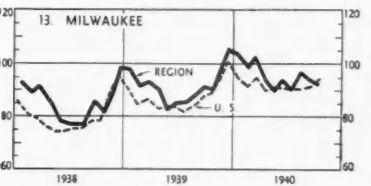
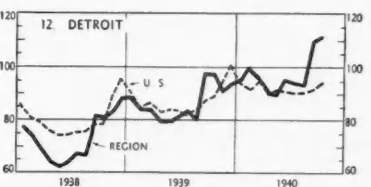


11. CHICAGO

OCT., 92.0 SEPT., 86.4 OCT. 1939, 83.9
OCTOBER—Chicago department store sales 4% above previous October level. NOVEMBER—Percentage retail trade increases over previous November: Chicago 7, Rockford 5, Peoria 10, South Bend 9. Chicago wholesale trade 4% above a year ago. Payrolls and production up compared with a year ago and with previous month. Steel rate averaging about 98 per cent of capacity. Tractor manufacturing running 20% ahead of last year. Building trades stimulated by Government and private construction projects; airplane and munitions plants being built, and several plant additions. Collections steady to better than a year ago. DECEMBER—Holiday business in the loop and outlying districts at record-breaking levels.

12. DETROIT

OCT., 111.0 SEPT., 109.6 OCT. 1939, 97.0
OCTOBER—Detroit department store sales 8% above previous October level. NOVEMBER—Percentage retail trade increases over previous November: Detroit 10, Grand Rapids 7, Saginaw 8. Wholesale trade increases: Detroit 10, Grand Rapids 5. Apple crop somewhat smaller than in 1939, but quality and prices better. Payrolls and production well above a year ago. Automobile manufacturing had one of best months in history as production reached about 500,000 units. Metal industries working at capacity. Furniture business good. Wisconsin defense contracts total more than \$525,000,000. Housing vacancies less than 4%. Collections better than a year ago. DECEMBER—Retail sales 5 to 12% above 1939. Wholesale up 10%.

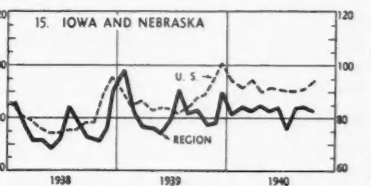
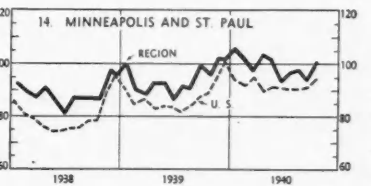


13. MILWAUKEE

OCT., 92.4 SEPT., 94.1 OCT. 1939, 89.1
OCTOBER—Milwaukee department store sales 4% above previous October level. NOVEMBER—Percentage retail trade increases over previous November: Milwaukee 5, Green Bay 12. Milwaukee wholesale trade 5% above a year ago. General agricultural situation favorable. Prices of dairy products up slightly from October. Payrolls and production above last year. Machine tool and metal trades leading other industries. Paper mills operating full time, but backlog nearly exhausted. Some plants making additions to care for armament orders. Collections better than a year ago, steady to improved in month. DECEMBER—Milwaukee department store sales 9% above last year. Bank clearings up 3% from a year ago.

14. MINNEAPOLIS AND ST. PAUL

OCT., 100.5 SEPT., 94.1 OCT. 1939, 95.8
OCTOBER—Minneapolis-St. Paul-Duluth-Superior department store sales 1% below last October. NOVEMBER—Percentage retail trade increases over previous November: Duluth 0, Minneapolis 2, St. Paul-La Crosse-Fargo 5, Sioux Falls 3, Billings 11, Butte 8; Great Falls trade off 5%. Wholesale trade increases: Duluth 0, Minneapolis 10, Great Falls 5. Prices of dairy products advanced over October. Payrolls and production above last year. Demand for flour, feed, and linseed oil products increasing. Machine shops unusually busy with war orders. La Crosse concerns manufacturing automobile and airplane parts working double shifts. Collections fair. DECEMBER—Retail volume 8% above a year ago, despite below-zero temperatures.



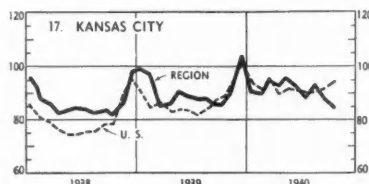
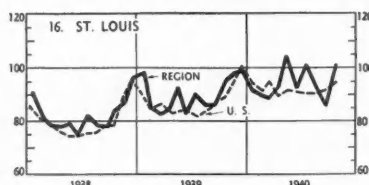
15. IOWA AND NEBRASKA

OCT., 82.8 SEPT., 84.7 OCT. 1939, 76.7
OCTOBER—Bank debits 2% above a year ago in Omaha and Lincoln. NOVEMBER—Percentage retail trade changes from previous November: Burlington +3, Cedar Rapids +4, Davenport-Omaha +10, Dubuque-Des Moines-Sioux City +5, Waterloo +8, Lincoln —5. Wholesale trade increases: Sioux City 4, Des Moines 3, Omaha 10. Payrolls and production above last year. Sash and door mills working on two shifts, 50 hours each. Shell loading plant under construction at Burlington. Manufacturers of pipe and sheet metal report gains in activity. Collections steady to better than a year ago. DECEMBER—Des Moines bank clearings for the first week of month 15% above 1939; Omaha clearings up 7%.

16. ST. LOUIS

OCT., 101.0 SEPT., 86.1 OCT. 1939, 94.3

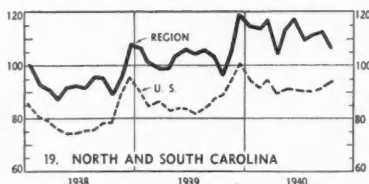
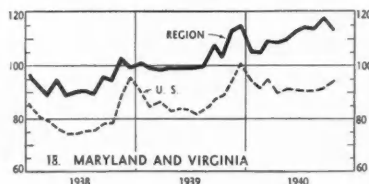
OCTOBER—Percentage department store sales increases over previous October: St. Louis 4, Springfield (Mo.) 31, Quincy 18. NOVEMBER—Percentage retail trade increases over previous November: St. Louis 10, Springfield (Mo.) 6, Springfield (Ill.) 2, Quincy 3. St. Louis wholesale trade somewhat above a year ago. Payrolls and production above last year. Materials being purchased in Springfield (Mo.) and surrounding territory for building of cantonment to house 35,000 men; 3,500 men expected to be employed on project. In St. Louis chemicals, lumber, building materials, and iron and steel industries particularly active. Collections fair. DECEMBER—Retail buying of Winter ready-to-wear improved with cold weather.



17. KANSAS CITY

OCT., 84.6 SEPT., 87.6 OCT. 1939, 85.3

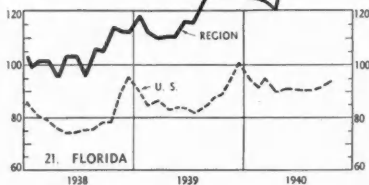
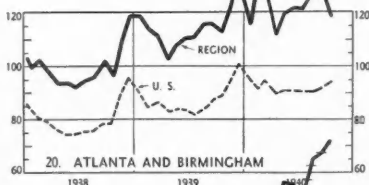
OCTOBER—Percentage department store sales changes from previous October: Kansas City —2, Wichita —1, Oklahoma City +3, Tulsa +6. NOVEMBER—Percentage retail trade changes from previous November: Kansas City—Tulsa—Topeka +8, St. Joseph —3, Wichita—Oklahoma City +5. Wholesale trade increases: Kansas City 7, Oklahoma City 5. Rains and snow have put Winter wheat crop in good condition. Payrolls and production above last year. Topeka railway shops, packing industry, and flour mills operating full time. Aircraft manufacturers increasing payrolls. Collections satisfactory. DECEMBER—Retail trade well above last year. Wholesale volume about same as November. Industry continues active.



18. MARYLAND AND VIRGINIA

OCT., 113.6 SEPT., 117.4 OCT. 1939, 102.4

OCTOBER—Percentage department store sales increases over previous October: Baltimore 11, Washington 15, Virginia State 19. NOVEMBER—Percentage retail trade increases over previous November: Baltimore—Roanoke 10, Washington 12, Norfolk 20, Richmond 15, Lynchburg 8, Bristol 0. Wholesale trade increases: Baltimore 8, Norfolk—Richmond 15. Weather favorable for seeding small grains. Harvesting and curing of tobacco completed; sales of leaf better than last season. Payrolls and production above last year. Cotton textile activity at near-record level. Shipyards, steel mills, and airplane factories working full shifts. Collections fair to good. DECEMBER—Retail sales substantially above 1939. Payrolls and employment increasing.



19. NORTH AND SOUTH CAROLINA

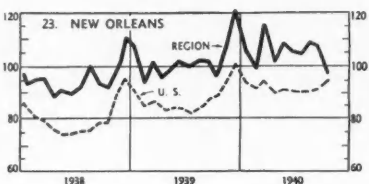
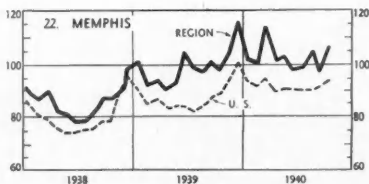
OCT., 106.8 SEPT., 112.7 OCT. 1939, 96.3

OCTOBER—Percentage department store sales increases over previous October: North Carolina 14, South Carolina 11. NOVEMBER—Percentage retail sales increases over previous November: Asheville—Charlotte—Raleigh 5, Winston-Salem 3, Charleston 17, Columbia 24, Greenville 16; Wilmington trade off 2% from a year ago. Wholesale trade changes: Charleston 0, Winston-Salem +5. Continued demand for skilled labor at Charleston Navy Yard; considerable home building, but still some housing shortage. Textile mills busy filling Government orders. Large building operations at Fort Bragg, N. C., increasing employment. Collections better than a year ago. DECEMBER—Cotton mills increasing employment; some on three shifts.

20. ATLANTA AND BIRMINGHAM

OCT., 118.2 SEPT., 129.0 OCT. 1939, 112.1

OCTOBER—Percentage department store sales changes from previous October: Atlanta +9, Macon +6, Birmingham —9, Montgomery +2, Nashville —5. NOVEMBER—Percentage retail trade increases over previous November: Atlanta 6, Augusta—Birmingham 10, Columbus—Mobile 5, Macon 8, Savannah 25, Montgomery 24, Chattanooga 12, Knoxville—Nashville 15. Wholesale trade changes: Atlanta—Nashville +5, Birmingham —10. Payrolls and production above last year. Steel and textile plants active. \$8,000,000 army air depot under construction at Mobile. Cantonment and fuse loading plant being built at Macon. Nashville airplane plant expanded. DECEMBER—Atlanta department store sales 9% above last December.



21. FLORIDA

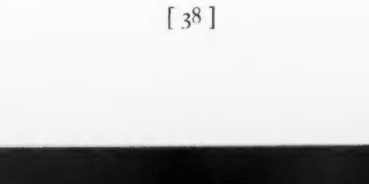
OCT., 149.4 SEPT., 144.6 OCT. 1939, 126.8

OCTOBER—Florida department store sales 17% above last October. NOVEMBER—Percentage retail trade increases over previous November: Jacksonville 16, Miami 12, Tampa 20. Wholesale trade increases: Jacksonville 18, Tampa 20. Citrus prices continue low. Citrus and vegetable shipments increased over October. Payrolls and production above last year, steady to up in month. So far almost \$21,000,000 spent for construction of naval air base at Jacksonville. Between 10,000 and 15,000 men employed at naval air base and at Camp Blanding. Saw mills and cigar factories active. Collections good. DECEMBER—New crops of celery and lettuce being moved. Department store sales substantially above last year.

22. MEMPHIS

OCT., 106.6 SEPT., 97.2 OCT. 1939, 97.2

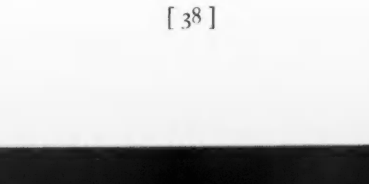
OCTOBER—Percentage department store sales increases over previous October: Memphis 8, Fort Smith 3, Little Rock 7. NOVEMBER—Percentage retail trade increases over previous November: Memphis 5, Fort Smith 8, Little Rock 15. Memphis wholesale trade 5% ahead of last November. Cotton crop normal. Payrolls and production above previous month and a year ago. New powder plant at Memphis about ready to begin production, expected to employ 3,000 to 5,000 men. Private building at a peak, and Government housing projects getting under way. Furniture manufacturing and sales very active in Fort Smith. Collections better than a year ago. DECEMBER—Holiday buying good. Purchasing power better than in 1939.



23. NEW ORLEANS

OCT., 97.0 SEPT., 107.5 OCT. 1939, 96.2

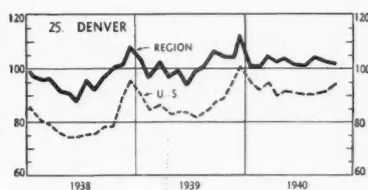
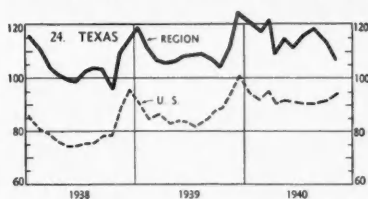
OCTOBER—New Orleans department store sales 4% below previous October level. NOVEMBER—Percentage retail trade changes from previous November: New Orleans 0, Jackson—Meridian +5. New Orleans wholesale trade 8% above last November. Cane harvest and grinding completed far earlier than usual due to crop shortage. Construction of cantonments increasing employment and stimulating sale of building materials. Payrolls and production generally steady to above last year. Petroleum industry active; development of new oil wells continues without any evidence of lessening. Collections fair to poor; slowness principally in rural areas. DECEMBER—Christmas purchasing proceeding at a good rate.



24. TEXAS

OCT., 106.7 SEPT., 113.8 OCT. 1939, 104.0

OCTOBER—Percentage department store sales changes from previous October: Dallas +1, Fort Worth 0, Houston -4, San Antonio +9. NOVEMBER—Percentage retail trade increases over previous November: Dallas 7, Fort Worth 18, Amarillo-Lubbock-Galveston-Shreveport 5, Wichita Falls-El Paso 10, Houston 1, Beaumont 8, Austin 2, San Antonio 9; Waco trade off 10%. Wholesale trade changes: Dallas +10, Houston +1, San Antonio +9, Fort Worth +15, Shreveport -5. Cotton and corn crops short. Payrolls and production above last year. Shipbuilding active at Beaumont. Lumber manufacturing at good level. Oil producing and drilling quiet. Collections steady. DECEMBER—Christmas shopping better than in 1939.



25. DENVER

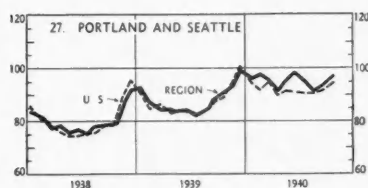
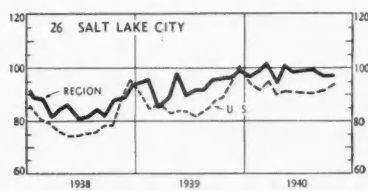
OCT., 101.8 SEPT., 102.4 OCT. 1939, 104.2

OCTOBER—Denver department store sales even with last October. NOVEMBER—Percentage retail changes from previous November: Denver +3, Albuquerque 0. Denver wholesale trade 2% above corresponding month last year. Large amount of beans being held for better price. Celery season in full swing; good Thanksgiving sales volume. Payrolls and production steady to above last year, steady to higher in month. Lumber demand good; mills operating on two shifts. Building activity steady. Steel mills operating at a good rate. Automobile dealers report new models moving well. Collections steady with October and a year ago. DECEMBER—Christmas business surpassing 1939. Cold weather hampering building activities.

26. SALT LAKE CITY

OCT., 97.8 SEPT., 97.6 OCT. 1939, 95.8

OCTOBER—Salt Lake City department store sales 1% above previous October level. NOVEMBER—Retail trade in Salt Lake City 12% above a year ago, 4 to 5% above October. Wholesale volume 10 to 12% above last November, off 15% from previous month. Production steady with a year ago and with previous month. Sales, employment, and payrolls above last year's level. Wheat, potatoes, and beet yields good; prices low on wheat and potatoes. Beet crop larger than last year but sugar content lower. Building permits totalled \$389,915, compared with \$392,808 a year ago and \$553,999 a month ago. Collections in retail, wholesale, and manufacturing divisions better than a year ago. DECEMBER—Bank clearings 29% above last year.



27. PORTLAND AND SEATTLE

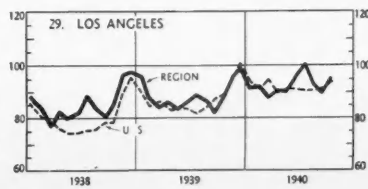
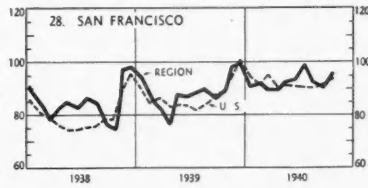
OCT., 97.7 SEPT., 93.7 OCT. 1939, 90.8

OCTOBER—Percentage department store sales increases over previous October: Seattle 11, Tacoma 15, Portland 3. NOVEMBER—Percentage retail trade increases over previous November: Seattle 13, Tacoma 10, Spokane 8, Portland 5. Wholesale trade increases: Seattle 12, Portland 10. Plenty of moisture for Winter wheat. Payrolls and production above last year, steady to up in month. Machine shop output stepped up. Seattle airplane plant enlarged, and another large addition contemplated. Tacoma lumber mill strike spreading. Lumber production generally heavy; about 25% of output estimated for defense projects. Pulp industry operating at capacity. Collections better than 1939. DECEMBER—Lumber strike seriously affecting construction activity.

28. SAN FRANCISCO

OCT., 96.2 SEPT., 90.6 OCT. 1939, 88.0

OCTOBER—Percentage department store sales increases over previous October: San Francisco 3, Oakland 7. NOVEMBER—Percentage retail trade increases over previous November: San Francisco 10, Oakland-Sacramento 5, Fresno 0. San Francisco wholesale trade 8% above same month of 1939. Sugar refining extended beyond usual closing because of heavy beet crop. Pasturage poorest in many years. Production and payrolls steady to above last year. Pacific Coast lumber schooners still strike-bound. Canneries closed. Building continues active due to extra housing need for increased personnel at Air Depots and training fields. Collections steady to improved over a year ago. DECEMBER—Retail sales better than a year ago. Employment increasing.



29. LOS ANGELES

OCT., 95.7 SEPT., 90.0 OCT. 1939, 89.0

OCTOBER—Percentage department store sales changes from previous October: Los Angeles +2, Phoenix -5. NOVEMBER—Percentage retail trade changes from previous November: Los Angeles +13, San Diego +10, Phoenix -4. Los Angeles wholesale trade 15% above a year ago. Total income from Valencia orange crop 20% above last year. Payrolls and production above last year's level. Steady gains in employment and output due to defense program. Aircraft manufacturing and shipbuilding active. Aircraft companies have order backlog of about \$1,000,000,000. Building activity continues at a high rate. Collections better than a year ago. DECEMBER—Retail sales rather sluggish in first few days of month.

BARREL INSPECTION IN MANUFACTURE OF BIG NAVY GUNS—PHOTOGRAPH BY KEYSTONE VIEW CO.



INDUSTRIAL AND COMMERCIAL FAILURES

NUMBER OF FAILURES				CURRENT LIABILITIES Thousands of dollars				DUN'S INSOLVENCY INDEX†							
(New Series)		(Old Series)		(New Series)		(Old Series)		UNADJUSTED				ADJUSTED‡			
1940	1939	1939	1938	1940	1939	1939	1938	1940	1939	1939	1938	1940	1939	1939	1938
Jan. . . .	1,237	1,567	1,263	1,377	15,279	20,790	19,122	21,415	67.1	86.0	69.3	76.2	54.6	69.9	56.3
Feb. . . .	1,042	1,202	963	1,149	13,472	13,582	12,788	21,028	66.7	78.0	62.5	75.2	58.0	67.8	54.3
Mar. . . .	1,197	1,322	1,057	1,167	11,681	19,002	17,851	40,325	62.6	72.6	58.1	64.8	61.4	71.9	57.5
Apr. . . .	1,291	1,331	1,064	1,172	16,247	18,579	17,435	21,147	70.1	73.1	58.5	65.1	67.4	71.0	56.8
May . . .	1,238	1,334	1,028	1,123	13,068	15,897	14,664	19,139	66.9	70.5	54.3	59.8	65.6	69.8	53.8
June . . .	1,114	1,119	847	1,073	13,734	12,581	11,460	15,918	62.5	66.5	50.3	64.1	64.4	69.3	52.4
July . . .	1,175	1,153	885	1,038	16,213	14,999	14,128	14,761	63.0	63.0	48.3	57.2	70.8	70.8	54.3
Aug. . . .	1,128	1,126	859	1,015	12,997	12,637	11,259	16,382	60.6	61.4	46.8	53.8	71.3	72.2	55.1
Sept. . .	976	1,043	758	866	11,397	10,545	9,402	14,341	54.3	59.0	42.9	51.6	64.6	70.2	51.1
Oct. . . .	1,111	1,234	916	997	12,715	17,464	16,140	13,219	61.7	67.0	49.7	54.7	67.1	72.8	54.0
Nov. . . .	1,024	1,184	886	984	16,572	13,201	11,877	12,302	61.9	72.6	54.3	53.9	59.5	69.8	52.2
Dec. . . .	...	1,153	882	875	...	13,243	12,078	36,528	...	65.0	49.7	56.7	...	64.3	49.2
Total . . .	14,768	11,408	12,836	...	182,520	168,204	246,505	...	69.6	53.7	61.1	...	...	...	...

† Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation.

ANALYZING *the* RECORD of INDUSTRIAL and COMMERCIAL FAILURES

NO SEASONAL RISE IN NOVEMBER FAILURES

THE usual end-of-the-year rise in number of failures which got under way in October in a normal fashion was not continued in November. Failures numbered only 1,024 compared with 1,111 in October. While much of this actual drop is attributable to three less working days in November than in October, even on a daily basis November failures occurred only at the same daily rate as in the previous month. And usually a failure rise somewhere in the neighborhood of 12 per cent can be expected between October and November. Failures in November were 13 per cent fewer than the 1,184 reported in November 1939.

Contrary to the trend in number-of-failures, liabilities rose from \$12,715,000 in October to \$16,572,000 in November and reached the highest level for any month during the year, although twice before they had topped \$16,000,000. The current rise was owing in large part to two extremely large failures.

The insolvency index, which takes into account the difference in working days and a slight increase in the number of concerns in business, indicated 61.9 failures in November for every 10,000 concerns compared with 61.7 in October. When adjusted for seasonal variation the index measured the departure of the November record from seasonal expectation by falling from 67.1 in October to 59.5 in November. This 7.6 point drop in the adjusted index was one of the most severe monthly changes which has occurred this year. Following soon after a 6.7 point drop in September, it wiped out much of the general rise in failures from a January low to an August high. The present level is still about 10 per cent above the January low, but is not far from the average level of 1937, a year in which failures were at their lowest, following the depression highs.

In the short month of November the actual number of reported failures was

below that for October in all the main industry groups, but on a daily basis both retail trade and manufacturing failures were slightly more numerous than in October. Slight changes, however, seem very unimportant when the whole failure record failed so signally to register any seasonal November increase.

By individual lines of business, however, it is evident that among manufacturers a substantial failure increase did take place in chemicals and drugs and in iron and steel products. Other lines remained unchanged or showed actual decreases.

In chemical and drug lines wholesale as well as manufacturing failures were higher. In automotive products also wholesale failures were up, but in most other lines they were down. In retail trade there was an appreciable rise in furniture and house furnishings, and a slight increase in foods, hardware, and drugs. Partially offsetting these in-

creases was a sharp decline in apparel shop failures.

Compared with November of last year, current failures were down in all main industry groups except construction, and more sharply in manufacturing and wholesale trade than in retail trade. This was due to the fact that in some retail lines, particularly country general stores, furniture stores, automotive products, restaurants, and drugs, failures were higher than a year ago. Apparel shop failures, contrariwise, were 46 per cent under those of last November.

There were also a few manufacturing lines in which current failures exceeded those of a year ago: forest products, drugs, fuels, iron and steel, and machinery. Failures among manufacturers of food products were cut almost in half.

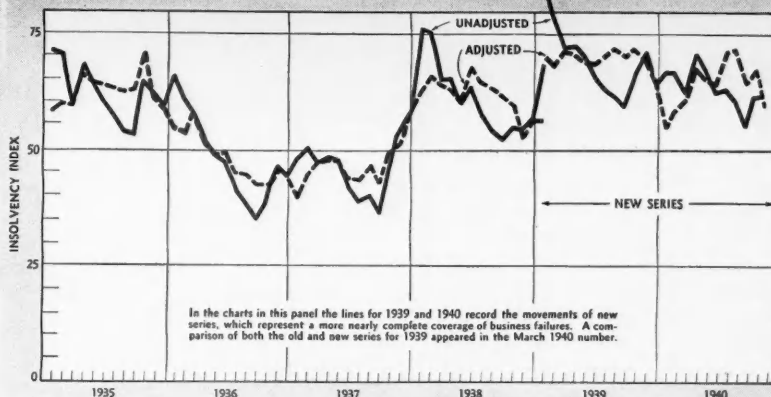
INDUSTRY GROUP	Nov. 1940	Nov. 1939	Per Cent Change
Manufacturing	202	263	-23
Wholesale Trade	89	125	-29
Retail Trade	640	697	-8
Construction	53	50	+6
Commercial Service	40	49	-18
Total	1,024	1,184	-13

Much of the \$4,000,000 rise in potential money losses in November was due to three large failures, each a manufacturing company with total debts in excess of \$1,000,000. In October there were no extremely large failures, and a year ago only one. Failures were also fewer in the other size groups, those with liabilities between \$100,000 and \$1,000,000 down from 24 to 16, and those with debts between \$25,000 and \$100,000 down from 85 to 62. The decreases in each of the size groups were spread among all industry groups.

SIZE GROUP (LIABILITIES)	Nov. 1940	Nov. 1939	Per Cent Change
Under \$5,000	540	469	+15
\$5,000-\$25,000	403	614	-34
\$25,000-\$100,000	62	85	-27
\$100,000 and over	19	16	+19
Total	1,024	1,184	-13

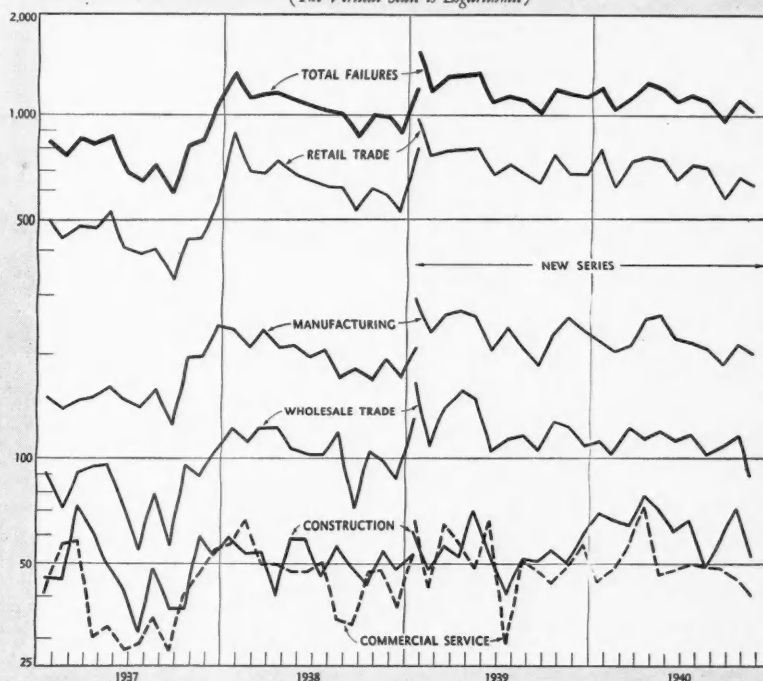
A geographical analysis of the November record demonstrates that it was in the Eastern and Southern seaboard States that November failures were un-

MONTHLY TREND OF THE INSOLVENCY INDEX



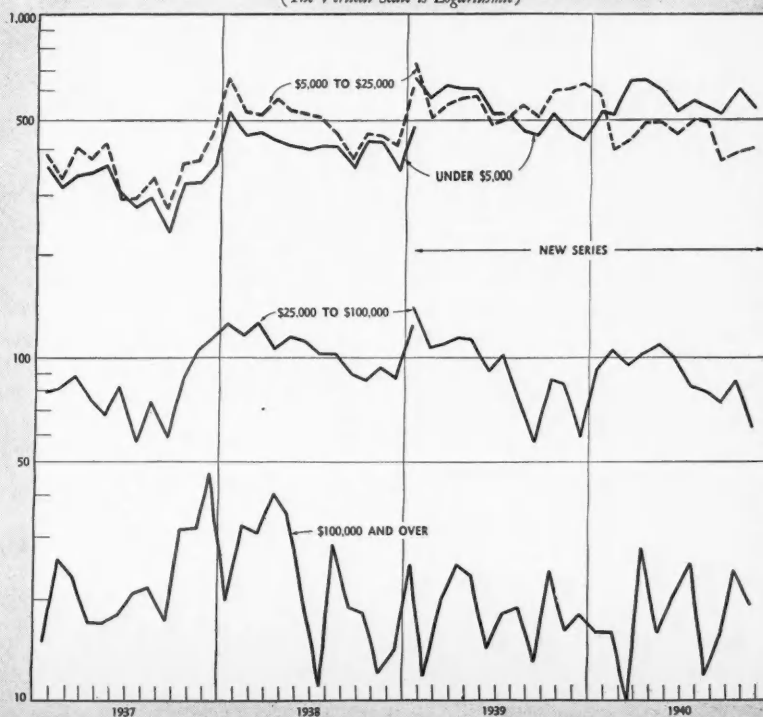
FAILURES BY INDUSTRIAL GROUPS

(The Vertical Scale is Logarithmic)



FAILURES BY SIZE OF LIABILITIES

(The Vertical Scale is Logarithmic)



usually low and failed to show the expected seasonal increase. They were down in number in the Boston, New York, Richmond, Atlanta, and Dallas districts though slightly up in the Philadelphia section.

In the Middle Western States the failure record was seasonally more normal, with increases recorded in the Cleveland, St. Louis, Chicago, and Minneapolis districts. In the Kansas City district a downward trend in evidence since August was continued. A sharp increase in California caused the San Francisco district to register gains in spite of decreases elsewhere in the district.

In most districts an increase or decrease in retail trade failures was the deciding factor between a seasonally normal or abnormal November trend, net decreases reflecting declines in retail failures in the San Francisco district, however, a retail decline was more than offset by a manufacturing increase, and in the Boston district a retail decline was sharp enough to counteract a marked increase in manufacturing failures.

FEDERAL RESERVE DISTRICTS	Jan.-Nov. 1940	Jan.-Nov. 1939	Per Cent Change
Cleveland	622	759	-18
Kansas City	502	604	-17
New York	4,535	5,172	-12
Chicago	1,804	2,037	-11
Dallas	287	319	-10
Atlanta	601	650	-8
Richmond	495	533	-7
Philadelphia	843	893	-6
Minneapolis	211	219	-4
Boston	887	909	-2
St. Louis	403	377	+7
San Francisco	1,343	1,228	+9
Total	12,533	13,700	-9

In addition to the three very large manufacturing failures which have already been mentioned, there were ten other large manufacturing insolvencies with debts ranging from \$175,000 to \$600,000. Obligations to the RFC were included in the debts of two of them. Of the ten, four were seeking reorganization under Chapter X of the Bankruptcy Act, three were seeking an arrangement of unsecured debts only, two went into receivership, and one went into voluntary bankruptcy.

FAILURES BY DIVISIONS OF INDUSTRY—NOVEMBER, 1940 AND 1939

(Current liabilities in thousands of dollars)

	Number			Liabilities		
	Nov. 1940	Oct. 1940	Nov. 1939	Nov. 1940	Oct. 1940	Nov. 1939
TOTAL UNITED STATES	1,024	1,111	1,184	16,572	12,715	13,201
MANUFACTURING (total)	202	214	263	9,137	5,329	4,606
Foods	35	54	64	1,559	1,156	1,286
Textiles	40	50	53	786	1,388	565
Forest Products	19	21	16	330	227	168
Paper, Printing and Publishing	19	21	29	250	894	185
Chemicals and Drugs	16	8	11	453	432	132
Fuels	7	8	4	3,073	435	72
Leather and Leather Products	6	6	13	67	100	96
Stone, Clay, Glass and Products	2	2	10	71	65	227
Iron and Steel	14	7	9	369	92	321
Machinery	12	13	9	186	132	220
Transportation Equipment	5	3	4	1,417	47	129
All Other	27	21	41	576	361	1,205
WHOLESALE TRADE (total)	89	115	125	1,349	1,846	2,087
Farm Products, Foods, Groceries	36	46	42	615	606	431
Clothing and Furnishings	4	6	7	20	191	40
Dry Goods and Textiles	3	3	8	23	9	79
Lumber, Building Materials, Hardware	6	8	12	27	270	503
Chemicals and Drugs	4	1	9	62	12	106
Fuels	5	4	2	167	165	34
Automotive Products	8	5	6	67	66	52
Supply Houses	5	7	10	52	57	46
All Other	18	35	29	316	470	796
RETAIL TRADE (total)	640	667	697	4,652	4,112	5,156
Foods	206	203	219	808	867	944
Farm Supplies, General Stores	18	18	13	163	166	85
General Merchandise	22	24	26	373	100	538
Apparel	73	114	136	846	648	1,054
Furniture, Household Furnishings	48	32	37	439	303	323
Lumber, Building Materials, Hardware	40	36	45	380	362	495
Automotive Products	64	66	53	420	651	359
Restaurants	94	106	88	632	564	710
Drugs	35	36	31	230	229	241
All Other	40	32	49	361	222	407
CONSTRUCTION (total)	53	71	50	838	851	765
General Contractors	5	6	11	148	115	330
Carpenters and Builders	18	9	8	335	97	66
Building Sub-contractors	29	51	28	249	562	361
Other Contractors	1	5	3	106	80	8
COMMERCIAL SERVICE (total)	40	44	49	596	574	587
Cleaners and Dyers, Tailors	5	10	12	36	81	70
Haulage, Buses, Taxis, etc.	6	7	10	42	122	167
Hotels	2	2	6	215	14	227
Laundries	7	7	3	41	190	35
Undertakers	5	5	1	62	41	4
All Other	15	13	17	200	126	84

For the second consecutive month Canadian failures rose in number, after having reached an annual low in September. November failures numbered 92 compared with 79 in October. Liabilities also increased, from \$512,000 in October to \$914,000 in November. A year ago the total number of failures

was 95; debts amounted to \$1,103,000

Increases in October occurred in all industry groups except retail trade, the latter falling from 59 to 56. Geographically, the two cities of Montreal and Toronto bore much of the increase, although the Far Western Provinces also recorded a slight upward trend.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "DUN'S STATISTICAL REVIEW"

Building Permit Values—215 Cities

GEOGRAPHICAL DIVISIONS:	1940 November	1939 November	Change Per Cent	1940 October	Change Per Cent
New England	\$6,583,816	\$8,298,361	- 20.7	\$9,274,599	- 29.0
Middle Atlantic	27,242,687	24,758,569	+ 10.0	32,405,650	- 15.9
South Atlantic	14,063,289	11,180,268	+ 25.8	17,642,797	- 20.3
East Central	22,801,087	24,774,150	- 8.0	36,017,912	- 36.7
South Central	10,020,001	8,563,692	+ 17.0	11,135,938	- 10.8
West Central	4,285,521	5,449,663	- 21.4	7,061,250	- 39.3
Mountain	2,015,084	1,750,260	+ 15.1	2,366,726	- 14.9
Pacific	15,528,172	16,312,277	- 4.8	21,254,433	- 26.9
Total U. S.	\$102,539,657	\$101,087,240	+ 1.4	\$137,159,305	- 25.2
New York City	\$20,417,386	\$15,794,466	+ 29.3	\$17,963,804	+ 13.7
Outside N. Y. C.	\$82,122,271	\$85,292,774	- 3.7	\$119,195,501	- 31.1

Bank Clearings—23 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1940	1939	1938	1940	1939	1938
January	24,140	23,383	21,979	928.5	935.3	879.1
February	20,641	19,885	17,735	897.4	903.8	806.2
March	23,833	25,192	22,996	916.7	933.0	851.7
April	23,587	21,931	21,838	907.2	879.2	839.9
May	24,361	22,374	20,324	936.9	860.5	813.0
June	21,838	23,212	24,124	873.5	892.8	927.8
July	22,939	21,576	21,799	882.3	863.1	872.0
August	21,046	22,782	19,890	779.5	843.8	736.7
September	21,083	24,015	21,924	878.5	960.6	877.0
October	25,289	22,469	24,208	972.7	898.8	968.3
November	25,224	22,807	21,819	1,096.7	991.6	948.6
December	26,827	27,905	27,905	1,073.1	1,073.3	1,073.3
Total	276,503	266,541	266,541	919.6	882.8	882.8

Bank Clearings for Individual Cities

(Thousands of dollars)

	November 1940	November 1939	Per Cent Change	October 1940
Boston	1,119,719	1,028,660	+ 8.9	1,127,776
Philadelphia	1,889,000	1,727,000	+ 9.4	1,889,000
Buffalo	161,548	150,024	+ 7.7	169,125
Pittsburgh	629,019	568,218	+ 10.7	627,878
Cleveland	519,344	484,113	+ 7.3	534,445
Cincinnati	287,598	273,814	+ 5.0	289,647
Baltimore	381,306	315,159	+ 21.0	392,528
Richmond	211,668	220,771	- 4.1	237,092
Atlanta	319,000	271,400	+ 17.5	332,600
New Orleans	199,584	189,681	+ 5.2	198,636
Chicago	1,448,545	1,347,096	+ 7.5	1,479,190
Detroit	627,577	454,272	+ 38.2	599,465
St. Louis	422,387	413,617	+ 2.1	436,449
Louisville	174,941	153,616	+ 13.9	178,682
Minneapolis	325,428	310,752	+ 4.7	355,667
Kansas City	429,200	431,389	- 0.5	462,417
Omaha	138,555	140,620	- 1.5	155,884
Dallas	271,356	245,378	+ 10.6	289,793
Houston	233,529	209,382	+ 11.5	241,096
San Francisco	671,943	651,655	+ 3.1	711,426
Portland, Ore.	164,685	138,168	+ 19.2	180,802
Seattle	185,367	160,834	+ 15.3	194,756
Total 22 Cities	10,811,299	9,885,619	+ 9.4	11,084,354
New York	14,413,037	12,921,695	+ 11.5	14,204,912
Total 23 Cities	25,224,336	22,807,314	+ 10.6	25,289,266

Dun & Bradstreet Wholesale Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use.

WEEKS:	1940	1939	1938	1937
Dec. 17	\$2.48	\$2.34	\$2.34	\$2.63
Dec. 10	2.49	2.32	2.38	2.65
Dec. 3	2.48	2.32	2.39	2.67
Nov. 26	2.46	2.35	2.41	2.69
Nov. 19	2.44	2.39	2.38	2.68
Nov. 12	2.43	2.42	2.39	2.73
Nov. 5	2.39	2.43	2.40	2.76
Oct. 29	2.34	2.43	2.38	2.76
Oct. 22	2.33	2.44	2.38	2.74

HIGH

LOW

1940	\$2.49	Dec. 10	\$2.18	June 18
1939	\$2.46	Sept. 19	\$2.13	Aug. 15
1938	\$2.53	Jan. 4	\$2.34	May 10

Dun & Bradstreet Daily Wholesale Price Index 30 Basic Commodities

(1930-1932 = 100)

	Dec.	Nov.	Oct.	Sept.
1	+	120.19	118.39	+
2	124.02	120.25	118.57	*
3	124.07	+	118.34	114.77
4	124.21	120.75	118.35	115.01
5	124.23	*	118.91	115.72
6	123.71	120.74	+	115.16
7	123.78	121.54	119.04	*
8	+	121.96	118.82	+
9	123.89	122.19	118.91	115.08
10	124.23	+	119.20	115.06
11	124.20	*	119.44	115.13
12	123.90	122.29	*	115.14
13	123.95	122.47	+	115.22
14	123.49	122.98	119.69	115.20
15	+	122.67	120.10	+
16	123.31	123.05	119.87	115.21
17	123.29	+	120.21	115.60
18	123.26	123.09	120.27	115.58
19	123.30	123.22	120.36	115.78
20	123.57	122.87	+	115.84
21	123.73	*	120.30	115.94
22	+	123.65	120.95	+
23	123.17	123.74	121.47	116.60
24	+	+	121.38	117.08
25	123.87	120.98	117.46	+
26	123.97	120.43	117.45	+
27	124.12	+	117.74	+
28	124.12	120.29	118.28	+
29	124.32	120.05	+	+
30	124.19	120.22	118.35	+
31	120.43	+	+	+

+ Sunday. * Markets closed.

HIGH

LOW

1940	124.32	Nov. 29	112.42	Aug. 19
1939	124.19	Dec. 18	101.40	July 24
1938	117.06	Jan. 10	102.43	June 2



HERE *and* THERE in BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

Teledeltos—The dry, electro-sensitive recording paper which Western Union developed for use in facsimile telegraphy is being made available for public use. Boasting the erudite classical name Teledeltos, this paper conducts electricity and is coated with a material which changes color permanently at any point where a current passes through the sheet.

Pavilionaires—Although the World's Fair has struck its tents, the individual exhibit managers in New York have organized a society called the Pavilionaires, Inc., ready at the snick of a turnstile to pass along their experience for the benefit of whatever big fair comes next. The organization expects to serve as a clearing house for information and advice on financial, promotion, and operating policies for any major fair that may be projected in the future.

Safety—When a plant is awarded a Government contract, the management is notified of its general responsibility to safeguard production by conducting a safety program. It is assisted in this responsibility by safety codes approved by the American Standards Association and introduced through co-operation with the National Committee for Conservation of Manpower in Defense Industries, a group composed of representatives from the National Safety Council, AF of L, CIO, local safety councils, and the Federal Government.

A regional representative of this committee is notified by the U. S. Depart-

ment of Labor when contracts are awarded. He assigns a local representative to act as safety specialist for the plant. This person may give technical assistance on an existing program or set one up where none exists.

Art—The lay public and medical profession are somewhat familiar with contributions of famous European physicians to the advancement of medicine; but much less is popularly known about the work of Americans. An 80-year old Philadelphia house manufacturing pharmaceutical specialties, John Wyeth and Brother, is remedying this lack of information, however, through sponsorship of an art program.

So far the company has had two large canvases dealing with American medical history painted by Dean Cornwell, an associate member of the National Academy. The first was completed in 1938; the second in 1940. A third will probably appear next Spring,

over the title "Conquest of Yellow Fever." Later the artist will work on paintings in honor of Doctor Philip Syng Physick, father of American surgery, Ephriam MacDowell, father of abdominal surgery, and Oliver Wendell Holmes, pioneer in combating childbirth fever.

The two pictures already completed are almost continually on tour to medical conventions and schools. No advertising appears at the time the original paintings are exhibited, nor does any appear on reprints.

Conservation—In California the Union Oil Company has an employee whose job is to assist farmers whose ranches have been damaged or destroyed by flood or erosion. He organizes conservation districts.

During the past year seven of these districts have been formed under his leadership; 12,000 ranches covering more than 2,500,000 acres. The work

EROSION—The Union Oil Company of California employs a conservation district organizer to increase the number of farms and orchards like that shown at the left by preventing the kind of soil erosion at the right, result of a heavy rainfall.



ART—Two paintings honoring pioneers of American medicine: left, Osler (father of clinical training for students) at Old Blockley; right, Beaumont, (pioneer physiologist) and St. Martin. (Story below.)

requires reclaiming hundreds of acres of land beyond the immediate orchard or farm that is put back into production. The conservation district plants cover crops throughout the hills and cuts terraces and run-off ditches to trap raindrops and floods.

Union Oil's profit from this is not limited in the long run to good-will and an increased farm purchasing power. The conservation districts buy gasoline powered equipment to scoop their terraces and ditches. When it arrives the local Union Oil Company sales agent has a good prospect.

Outing—Late last Fall the president of a duplicating machine company surprised all employees of the home office by blowing them and their husbands, wives, girl, or boy friends to a free week-end in the mountains. The firm is Standard Mailing Machines Company, Everett, Mass. Employees spent three days at the Alpine Hotel, North Woodstock, N. H.

Paint—To answer a great many of the questions in industrial painting, such as coverage for regular and irregular areas, protections against weather, temperature changes, salt water, and acids, the American-Marietta Company, Chicago, Ill., is sponsoring an Industrial Paint Clinic. The clinic distributes a 128-page *Maintenance Painting Handbook*, an elaborate service booklet in the industrial painting field.

Machete—If there's one product which seemed immune from change,

(Continued on page 48)

PORTA DESK—For home music study the young lady uses a \$1, portable, folding music stand of fiber board, made by H. and A. Selmer, Incorporated, Elkhart, Ind.



GOOD BUSINESS NEWS

OPEN ACCOUNT FINANCING ELIMINATES MONTHS OF DELAY

*Study Shows Receivables Most Satisfactory
Source of Working Capital*

A review of the methods of financing used over five years led C. J. BEEKMAN*, treasurer of the INTERSTATE CORPORATION*, to rely mainly on Commercial Credit Company's OPEN ACCOUNT service for current financing.

In a statement of interest to fiscal officers, Mr. Beekman says: "With respect to the time factor in arranging for financing, it is important to note that one source of current financing required about sixty days to consummate. Another required between three and four months. This involved registration with the S.E.C., and all the problems incident to the floating of securities for sale to the public.

"Against these two experiences is the one in which we called in Commercial Credit Company to arrange for current financing. This was consummated in about two weeks.

"There is little doubt but that the question of time necessary to arrange proper financing plays a vital part in business . . . Commercial Credit Company is to be complimented on its ability to make a practical survey of the needs of a business and arrive at a practical working arrangement with respect to its financial requirements."

Our resources, available for capital loans or current financing, include \$63,000,000 of capital and \$30,000,000 of long-time money. We provide cash against inventory or receivables, in any needed amount, at a fixed rate over a specified period. The only limit is the amount of actual business you can do. If interested in getting further information, write for "CAPITAL at WORK", and "COMPARATIVE COSTS OF FINANCING" Address Dept. DR.

**A fictitious name but the facts and figures taken from our files can be verified.*

COMMERCIAL CREDIT COMPANY

"Non-Notification" Open Account Financing

BALTIMORE

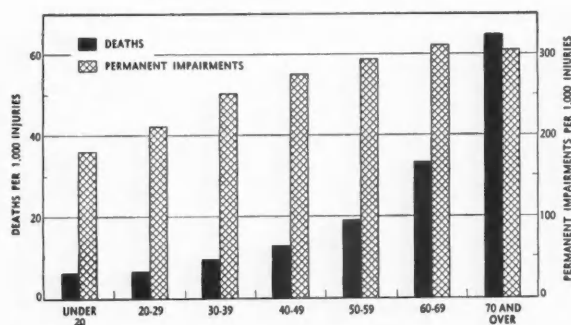
BOSTON NEW YORK CHICAGO SAN FRANCISCO LOS ANGELES PORTLAND, ORE.

CAPITAL AND SURPLUS MORE THAN \$60,000,000

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

Age and Industrial Injuries



AGE DISTRIBUTION OF DEATHS AND PERMANENT IMPAIRMENTS RESULTING FROM INDUSTRIAL INJURIES—1933-1937—New York State Department of Labor—Of 345,663 injuries, 368 deaths and permanent impairments per 1,000 injuries were in the eldest group, 184 in the youngest.

DISCRIMINATION against the older worker is not necessarily justified on the grounds that he is a greater accident risk. Available surveys show that the frequency rate of injuries among younger workers is considerably higher than among older workers, but that once injured, older workers are slower to recuperate, and are more subject to death or permanent impairment.

Supporting data presented by Max D. Kossoris of the U. S. Bureau of Labor Statistics cover nearly a million cases of industrial injuries both in the United States and in foreign countries. In four American plants—two public utilities, one light manufacturing, and one heavy manufacturing company—the frequency rate of disabling injuries per million hours worked among 26,000 workers was only about two-thirds as high for workers between 40 and 54 years of age as for workers under 21, 70 per cent as high for the older workers as for those between 21 and 29. The rate for workers of 60 and over was lower than that for workers under 21, about the same as for those between 21 and 29 years of age. Similar results were reported by the Wisconsin Industrial Commission on the basis of an analysis of about 350,000 industrial injuries between 1919 and 1938, by the Swiss National Accident Insurance Fund covering 95,000 disabilities, by the New York State Department of Labor with about 346,000 cases, and by an Austrian survey.

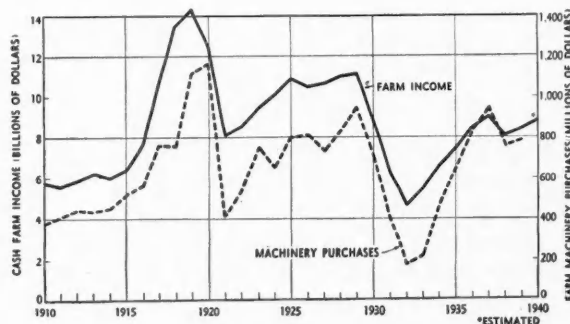
Purchases of Farm Machinery

AS AGRICULTURE becomes more mechanized, farmers are investing a larger proportion of their income in automobiles, motor trucks, tractors, and other farm machinery. Statistics published by the U. S. Bureau of Agricultural Economics show that slightly more than 9 per cent of a total cash farm income of \$8,540,000,000 was spent for machinery in 1939, as compared with approximately 7 per cent in the pre-war years 1910-1914. In dollar totals, ex-

penditures for farm machinery in 1939 amounted to \$793,000,000, about double the amount spent annually before the World War.

Much of the increase in machinery purchases in late years has been due to increased use of motor vehicles; other types of machinery were purchased in about the same amounts during the past five years as in the five-year period preceding the World War. Between these two periods the number of horses and mules on farms was reduced from 25,000,000 to 15,000,000 head, and the number of hired workers decreased about 13 per cent. The substitution of motor power for man-power and horse-power made possible, however, substantial increases in both farm acreage and in agricultural output.

Tractor purchases have recently increased relative to automobile purchases. In 1934 \$230,000,000 were spent for automobiles, \$83,000,000 for tractors. In 1938 \$180,000,000 went for automobiles, \$201,000,000 for tractors. At the beginning of 1940 the number of tractors on farms was 75 per cent higher than in 1930, whereas the number of automobiles and motor trucks was only slightly higher in 1940 than in 1930.

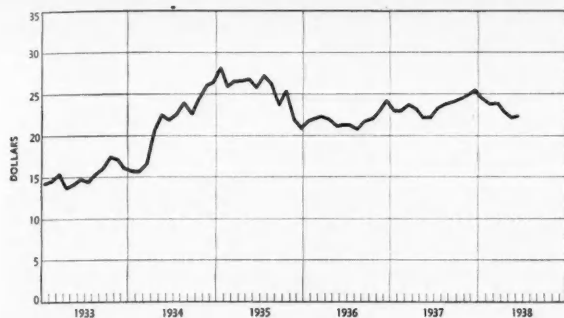


CASH FARM INCOME AND FARM MACHINERY PURCHASES—1910-1940—U. S. Bureau of Agricultural Economics—Government payments have been included in cash farm income payments since 1933; income for 1940 was estimated at the highest level since 1929, but lower than the years 1923-1929. Farm machinery purchases have in general followed income trends.

Relief Benefits

EMERGENCY RELIEF operations reached a peak in January 1935, according to a WPA study entitled "Average General Relief Benefits" covering the period 1933-1938. The data includes work-relief earnings of certified relief persons, but does not include the amount of non-relief earnings, the cost of materials, supplies, and equipment, or administrative expense.

After the initiation of the Works Program in July 1935 and the withdrawal of the Federal Government from general relief during the second half of 1935, average monthly relief benefits declined somewhat, from \$28.13 per case in January to \$21.04 in December. At this time employable cases were being transferred to the Works Progress Ad-



AVERAGE MONTHLY GENERAL RELIEF BENEFIT PER CASE, JANUARY 1933-JUNE 1938—Works Progress Administration—General relief benefits declined as the Federal Government switched from direct relief to the Works Program; average benefits for the first half of 1933 and for the months following December 1935 were partially estimated.

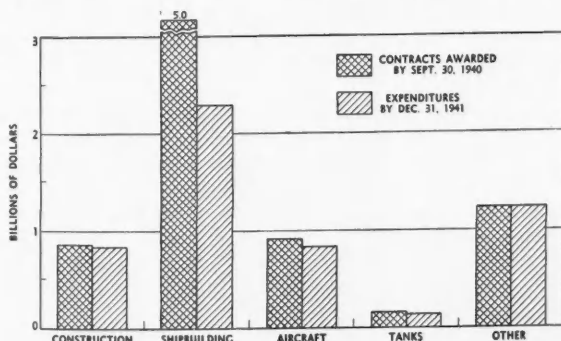
ministration and related agencies, and were receiving partial-month benefits to tide them over until they received their first pay check, thus tending to further decrease the average monthly benefit paid.

Maximum employment on the Works Program was reached in 1936. Soon after that, general relief cases qualified for old-age assistance, aid to the blind, or aid to dependent children, were transferred in large numbers to the public-assistance program of the Social Security Board. During this period, therefore, general relief benefits remained at a relatively low level.

Defense Expenditures

How much of the total value of defense contracts awarded has actually taken the form of expenditures? The National Industrial Conference Board has estimated that by the end of 1940, \$1,048,000,000 would have been spent, or about one-ninth of the total value of contracts awarded through November 5.

In fact, it was pointed out that a substantial proportion of the \$8,200,000,000 of contracts placed by September 30, 1940 will not be spent by the end of 1941—that only \$5,300,000,000 will have been paid out by then (see chart). Later figures published by the Conference Board show that by the middle of December 1940 contract awards since June 13 totalled about \$10,000,000,000, and that expenditures as of



NATIONAL DEFENSE CONTRACTS AWARDED THROUGH SEPTEMBER 30, 1940 AND AMOUNT EXPENDED BY END OF 1941—National Industrial Conference Board and Government Reports—Shipbuilding contract awards totalled more than all other types put together, but less than one-half of these awards will take the form of expenditures by December 1941.

December 17 had reached a total of approximately \$1,500,000,000.

By the end of November ships accounted for 46.7 per cent of all contracts awarded since June 13, or \$4,405,000,000. It is interesting to note that, of 292 combat vessels ordered since June 13, only 22 destroyers and 10 submarines are expected to be completed by 1942, while 23 more destroyers, 17 submarines, and 9 cruisers will be completed in 1943, and 117 ships will be finished in 1944. The total number of combatant ships being built at present, including awards prior to June 13, is 370, including 206 destroyers, 81 submarines, 54 cruisers, 17 battleships, and 12 plane carriers. Some speed-up in ship construction is believed to be occurring, and revisions of time schedules may, of course, result.

City Population Trends

"IT IS CLEAR that if the present trends continue, the United States is faced with a stationary or even a declining population in about 30 or 40 years." So states the U. S. Bureau of the Census on the basis of returns from the Sixteenth Decennial Census of 1940. It is certainly true that, in all but a few cities of the United States, the era of exuberant population growth has ended.

On April 1, 1940 there were 37,837,296 persons living in cities of 100,000 or more population, compared with 36,325,736 inhabitants in such cities on April 1, 1930. The percentage increase for the decade 1930-1940 was 4.2 per cent

TABLE 1. PRELIMINARY POPULATION OF CITIES HAVING, IN 1940,
100,000 INHABITANTS OR MORE, ARRANGED ACCORDING TO RANK

[A minus sign (-) denotes decrease.]

Rank	City	Population	Increase	Percent of Increase
1940	1930	1940	1930-1940	1930-30
1	New York, N. Y.	7,380,859	6,320,446	449,813 6.5 23.3
2	Chicago, Ill.	3,364,558	3,378,428	8,110 0.2 23.0
3	Philadelphia, Pa.	1,835,006	1,890,961	55,955 3.0 7.0
4	Detroit, Mich.	1,618,549	1,568,668	49,881 3.2 59.9
5	Los Angeles, Calif.	1,495,762	1,250,046	245,716 20.4 114.7
6	Cleveland, Ohio	879,388	800,439	78,949 9.0 13.0
7	Baltimore, Md.	854,144	804,874	49,270 5.8 9.7
8	St. Louis, Mo.	813,740	821,960	8,220 1.0 6.3
9	Boston, Mass.	760,280	701,160	59,120 7.8 4.4
10	Pittsburgh, Pa.	668,384	659,817	8,567 1.3 13.0
11	Washington, D. C.	653,193	498,889	154,304 23.5 11.3
12	San Francisco, Calif.	629,253	534,394	94,859 15.1 25.3
13	Milwaukee, Wis.	599,558	578,249	21,309 3.6 2.0
14	Buffalo, N. Y.	578,150	573,078	5,072 0.9 13.1
15	New Orleans, La.	490,888	450,742	40,146 8.2 18.5
16	Minneapolis, Minn.	489,971	464,336	25,635 5.2 22.0
17	Cincinnati, Ohio	458,888	451,180	7,708 1.7 12.4
18	Newark, N. J.	448,234	447,337	897 0.2 6.7
19	San Jose, Calif.	400,179	399,744	435 0.1 25.8
20	Indianapolis, Ind.	386,170	364,161	22,009 5.7 15.9

12/18

CITIES OF MORE THAN 100,000 RANKED BY POPULATION IN 1940—U. S. Bureau of the Census—Within the first ten cities, the only change in rank between 1930 and 1940 resulted from the passing of St. Louis by Baltimore.

(considerably below the 7.2 per cent for the entire country), against an increase of 32.4 per cent in the previous decade, 1920-1930.

Twenty-nine cities in this group (100,000 or over) lost population between 1930 and 1940, compared with only four between 1920 and 1930. Washington, D. C., was the only city to grow more rapidly in the last decade than in the previous one.

Miami, Fla., with a gain in population of 54.4 per cent in the last ten years showed the most rapid growth. San Diego, Cal., Washington, D. C., Jacksonville, Fla., and Houston, Tex., made the next four largest gains in that order. It is significant that no city in the Northeast section of the country appeared among the list of cities increasing more than 10 per cent in population since the previous Census was taken.

HOW TO SOLVE THIS COMMON PERSONNEL PROBLEM

WHAT to do for employees who need loans is a problem which has troubled many corporation executives. Perhaps the workers in your plant have their own credit union. Or your company may have worked out an employee loan plan. But in many cases employers have neither the means nor the experience to properly finance the emergency expenses of all their workers.

Where workers can borrow

Yet you realize that employees should be able to borrow when necessary—for the company's good, as well as their own peace of mind. Fortunately, the legislatures of most industrial states have recognized the social need of a source of emergency credit for working men and women. In the interests of these small borrowers these states have passed Small Loan Laws.

Loans repayable in installments

These laws make possible the modern family finance company like Household Finance. Here the responsible worker can borrow \$20 to \$300 in a simple, private transaction, regulated by law for his protection. No endorser is needed. No wage assignment is taken. Repayment is made in convenient monthly installments. Every day this plan helps hundreds of men and women of limited means to meet unexpected expenses.

The table below shows some typical loans and payment plans. The borrower may choose the payment plan which best fits his own needs and income. Installments include charges at the rate of 2½% per month (less in many territories). These charges are substantially below the maximum allowed by the Small Loan Laws of most states.

AMOUNT OF CASH LOAN	AMOUNT PAID BACK EACH MONTH Including All Charges				
	2 mos. loan	6 mos. loan	12 mos. loan	16 mos. loan	20 mos. loan
\$ 20	\$ 10.38	\$ 3.63	\$ 1.95		
50	25.94	9.08	4.87		
100	51.88	18.15	9.75	\$ 7.66	\$ 6.41
150	77.82	27.23	14.62	11.49	9.62
200	103.77	36.31	19.50	15.32	12.83
250	129.71	45.39	24.37	19.15	16.04
300	155.65	54.46	29.25	22.98	19.24

Above payments figured at 2½% per month and based on prompt payment are in effect in Maryland and several other states. Due to local conditions, rates elsewhere vary slightly.

Contact with thousands of families has shown us that it is a further service to encourage and help our customers to manage their incomes intelligently. So our staff of home economists gives practical guidance in budgeting and household buymanship. Hundreds of schools and colleges use the booklets developed for this work.

If you employ or supervise men, you are invited to send the coupon for further information. You will be under no obligation.

HOUSEHOLD FINANCE

Corporation
ESTABLISHED 1878

Headquarters: 919 N. Michigan Ave., Chicago
One of America's leading family finance organizations, with 282 branches in 184 cities

HOUSEHOLD FINANCE CORPORATION, Dept. DR-A
919 N. Michigan Ave., Chicago, Ill.

Please tell me more about your loan service for wage earners—without obligation.

Name

Address

City State

(Continued from page 45)

it's that constant companion of sugar plantation workers, the machete. Now comes word from the Bakelite-Rogers Company, New York City, that their fabric-base board, impregnated with phenolic resin, is being used for Collins machete handles. Horn was used formerly, but modern livestock owners dehorn their cattle early so the energy that went into cow horns will be diverted to beefsteak.

Marine—For several years the large steamers have used marine radio direction finding devices, training a loop antenna on two coastal radio beams and by triangulation finding the ship's position. Similar devices have been made available to small boat owners.

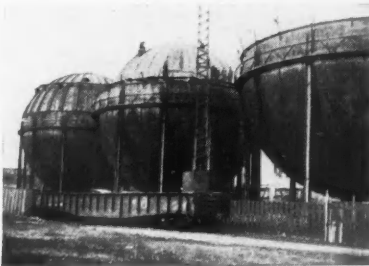
A newly developed finder for this work is that of the Ansley Radio Corporation, Bronx, New York. It needs no connections nor special installation, has a 200-mile range on class A stations, is accurate within one degree, weighs 17 pounds. Wave lengths received include all marine radio beacon signals, 275 to 325 kilocycles.

Gas—The first installation of a commercial method for liquefying natural gas so that it occupies one-sixth its normal space is in operation this Winter in Cleveland, Ohio.

The process was developed at a pilot plant of the Hope Natural Gas Company, West Virginia. It was installed for East Ohio Gas Company by The Gas Machinery Company, Cleveland, exclusive licensee. One cubic foot of liquid, stored in a thermos container, contains 600 cubic feet of gas.

Liquefying natural gas is more complicated than it sounds. Ammonia cooled to minus 20 degrees F. liquefies ethylene gas. Then the ethylene is com-

GAS BALL—In each of these spheres at Cleveland 84,000 cubic feet of liquefied natural gas can be stored. Released, the fuel expands to fill 50,000,000 cubic feet.



For the utmost in
deluxe travel to and from
California
and Southwestern Winter Resorts



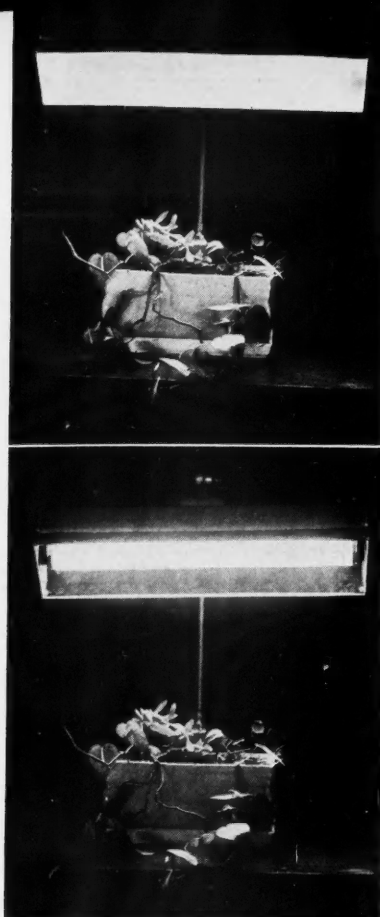
Super Chief and Chief

In these superb lightweight streamliners, Santa Fe offers the utmost in smooth speed, beauty, restful comfort, and Fred Harvey cuisine, on rail journeys between Chicago and southern California . . .

The *Super Chief* is the only all-standard sleeping car streamliner operating on a 39¾-hour schedule between Chicago and Los Angeles. The *Chief* is the only daily all-Pullman streamliner between these two points.

Both the *Super Chief* and the *Chief* also provide excellent service for Palm Springs, and Arrowhead Springs, via San Bernardino, California . . . and throughout the winter season, the *Chief* carries a streamlined daily Pullman between Chicago, Kansas City and Phoenix, Arizona.

T. B. GALLAHER
Passenger Traffic Manager
931 Railway Exchange
Chicago



LOUVERGLAS—Effect of looking at a light with and without use of a glare-shielding transparent plastic called Louverglast. Thin, opaque louvers running through this at right angles to the surface are almost invisible from a frontal view. Anything except a direct front view cuts off the light as tilted venetian blinds would. Louverglast fixtures are made by The Miller Company, Meriden, Conn. The plastic is made by Doane Products Company, Meriden, by E. I. duPont de Nemours & Co., Incorporated, at Arlington, N. J.

pressed and cooled to minus 145, at which it liquefies the natural gas. Later the gas is cooled to minus 250 by a change in pressure. An important part of the process is the scrubbing of every trace of water, carbon dioxide, nitrogen, and oxygen from the gas.

One of the main problems in planning the thermos-style gas container was to find a metal that wouldn't become brittle at minus 250 degrees F. A steel alloy with .09 per cent carbon and 3½ per cent nickel does the job.

Transferred—When a business man moves to another city, there is often a special problem in disposing of his former home and acquiring a suitable new one as soon as possible. For two years past, however, the Transferred Executives' Guild, with headquarters in Boston, Mass., has been

taking charge of this housing headache.

TEG has correspondents in about 120 cities of largest population throughout the country. Its service begins when a home owner calls at a local office of the Transferred Executives' Guild. He lists his house with the office, pays a fee for having it appraised, receives a letter of introduction to the TEG correspondent in the city of his destination. On arrival there, he is shown homes of

other persons who have listed with the Guild. He leases one, agreeing to buy it at a prearranged price when (not until) his former home has been sold.

Vitamins—Many of those vitamins which bring health in small packages are made in Rochester, New York, by Distillation Products, Inc., a subsidiary of General Mills, Inc., and Eastman Kodak Company. The firm makes



BANKERS TRUST COMPANY NEW YORK

CONDENSED STATEMENT OF CONDITION
ON DECEMBER 31, 1940

ASSETS

Cash and Due from Banks	\$613,287,942.32
U. S. Government Securities	588,895,553.33
Loans and Bills Discounted	255,161,766.80
State and Municipal Securities	44,406,245.55
Stock of Federal Reserve Bank	2,250,000.00
Other Securities and Investments	44,915,452.20
Real Estate Mortgages	2,429,870.88
Banking Premises	16,802,093.52
Accrued Interest and Accounts Receivable	4,328,749.59
Customers' Liability on Acceptances	2,050,790.32
Bonds Borrowed	4,995,250.00
	<u>\$1,579,523,714.51</u>

LIABILITIES

Capital	\$25,000,000.00
Surplus	50,000,000.00
Undivided Profits	33,413,246.68
Dividend Payable January 2, 1941.	1,250,000.00
Deposits (Including Official and Certified Checks \$44,533,971.57)	1,460,558,559.81
Accrued Taxes, Interest, etc.	1,169,510.61
Acceptances Outstanding (Less Amount in Portfolio \$3,835,804.49).	2,347,293.00
Liability under Bonds Borrowed	4,995,250.00
Other Liabilities	789,854.41
	<u>\$1,579,523,714.51</u>

Securities in the above statement are carried in accordance with the method described in the annual report to stockholders, dated January 11, 1940. Assets carried at \$3,283,146.17 have been deposited to secure deposits and for other purposes.

Member of the Federal Deposit Insurance Corporation

UNFAVORABLE POSTURE
Causes pressure against the spine, tends to dislocate the vertebrae, strains the muscles, and causes fatigue and pain. It is the most common cause of backache and is the most common cause of poor health.

FAVORABLE POSTURE
Causes no pressure against the spine, keeps the vertebrae in their normal position, and keeps the muscles relaxed. It is the most common cause of good health.

DO/MORE POSTURE SERVICE FOR SEATED OCCUPATIONS

EDUCATIONAL SEATING SERVICE FOR BUSINESS

PROPER SEATING
An Aid to Industrial Efficiency
by J. A. Greiner, M.D.

PRESENT DAY business pressure demands more attention to the seating problem as a means of helping to reduce fatigue. Domore has developed an exclusive plan which helps seated workers to conserve energy, yet do their work better and more easily. Also available are chairs specially designed and individually adjusted by a Domore Posture Specialist to adapt the worker to the job at hand.

SEND FOR THIS NEW PLAN
A treatise of real value by Dr. J. A. Greiner, eminent Physician and Posture Specialist, will be sent without cost or obligation. Write now.
DOMORE CHAIR COMPANY, INC.
115 Franklin Street, Elkhart, Indiana

DO/MORE Seating Service

THREE NEW CHARTS of the Dow Jones Averages NOW READY

Prepared for Use of Dow Theorists

- (1) Daily Prices—high, low and close for 1940, Industrials and Rails, with total volume. Ratio Scale.
- (2) All Rallies and Declines exceeding 3%—1921-1940.
- (3) Monthly Range Chart—1921-1940.
- (4) Blank Chart for continuing the 1941 Averages.

Send \$1.00 for All Four Charts
RHEA, GREINER & CO.
Publishers of "Dow Theory Comment"
Continuously Since 1932
C4—Colorado Springs, Colorado

The OFFICE VALET

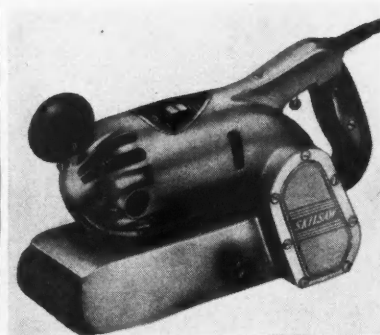
Ends Wardrobe and Locker Room Problems—SANITARY . . . SPACE SAVING . . . ATTRACTIVE

Bring checkroom efficiency into your office . . . save locker room floor space; end locker room evils. A modern attractive steel Office Valet provides complete accommodations (hats, coats, overshoes, umbrellas) for 6 or 12 people. Occupies no more space than an ordinary costumer.

"3-U" Valet Racks, in wall or 2-sided types, accommodate 3 or 6 persons per running foot. Fit in anywhere; any length. Walnut, Brown, Olive Green or Maroon. Keeps wraps aired and "in press."

Write for Free Catalog
Showing complete line of modern steel office and home wardrobe equipment and name of local dealer.

VOGEL-PETERSON CO., Inc.
1219 N. Wolcott Ave., Chicago, U. S. A.



SANDER—Zephyrplane, Jr., lightweight 2 1/4-inch sander whose belt moves 600 feet a minute; made by Skilsaw, Inc., Chicago.

concentrates of vitamins A and D by a distillation process. It's working now on oils for production of E in ton quantities.

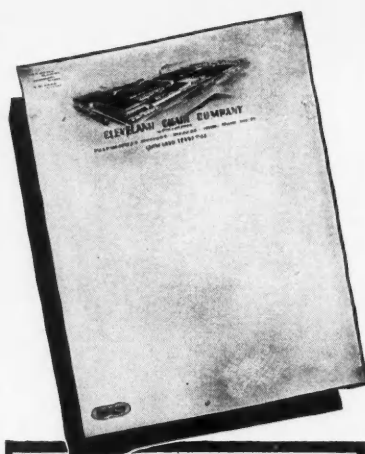
According to Dr. K. Hickman, vice-president of the distillation company, vitamins fall into two main classes, the water soluble and the oil soluble. A and D are in the latter classification and are produced by an application of the ten-year young principle of molecular distillation.

Vitamin A is extracted in what is called a falling film still. This is an outer cylinder with cold sides. It has a core which is heated and from which a film of fish liver oil runs down. A vacuum exists between core and outer cylinder. In this the fat, sluggish, easily injured molecules of vitamin flock from the core to the cold side wall for harvesting.

Vitamin D is harder to extract. Its molecule can be warmed for only a fraction of a second and must then be flung violently away from the heated surface. This is done by rapidly spinning plates inside a glass flask.

Surfide—Roughening a smooth metal surface so it will act like a blotter in order to cut down friction is the paradoxical job of Surfide metal treating, a process devised by the Research and Development Department of Standard Oil Company of California. It was first put into commercial use in 1936, is now employed by Caterpillar Tractor Company, and Thompson Products, among other companies.

The Surfide process consists of dipping smooth metal parts into a chemical bath which eats away the surface in infinitesimal amounts. The tiny



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FOR AS LOW AS \$1.10 a Thousand!

Send us a sample of your present letterhead and let us quote our MASS PRODUCTION price for QUALITY work on any quantity in which you buy. Our Letterhead Clinic will re-design your old letterhead, if you wish and submit sketches absolutely free and without obligation, together with our quotation.

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4311 Diversey Ave. Chicago, Ill.

DUN'S REVIEW REACHES 20,523 PRESIDENTS EACH MONTH

Now!

TACKER

that drives TACKS

ASSEMBLY, fastening, tacking, tagging operations—in plant or shipping room—are speeded up and costs cut with Model T-1 HANSCO tack Tacker. Drives Hansen T-head Tacks, 3/16-inch to 1/2-inch lengths.

First of its kind to drive tacks, this unique device drives fast as you grip into hardest woods, thru thin metal or tin. Replaces ordinary tacks, brads and glue. Executives—plant superintendents—investigate!

A.L. HANSEN MFG. CO. 5019 RAVENSWOOD AVE. CHICAGO, ILL.

ASK FOR FOLDER

pits left hold lubricating oil more easily. Rates of wear for diesel engines operating in normal tractor service have been reduced almost one-fourth by this process.

Center—Usually a business gets around to publishing a history of itself only when 50 or 100 years are crowded down in its files. Still a youngster, New York City's Rockefeller Center, however, can boast that a history of its beginnings is already in print.

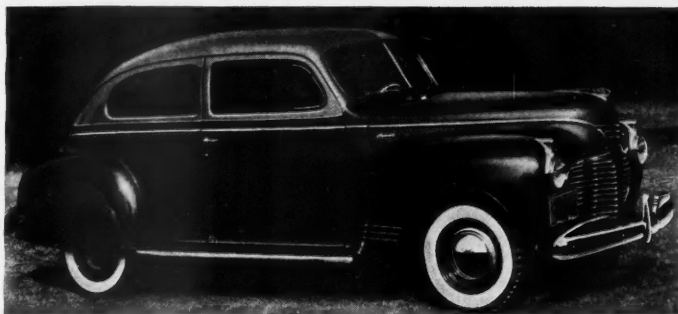
When the final rivet was driven into the final building in the Center, work began on a book called *The Last Rivet*, published by Columbia University Press, an affiliate of the area's landlord, Columbia University. *The Last Rivet* is a record of the speeches made at its driving, sidelighted with interesting statistical data.

For the historians, the speeches; for the casual Rockefeller Center fan, the side-notes—such as information that rent from the Center represents 29 per cent of Columbia's income. In 1804 the original tenant paid only sixteen bushels of wheat annually.

Rockefeller Center uses as much electricity daily as the cities of Omaha or Syracuse. Just to file the 1,860 blue prints for its buildings required nearly two years of working days. For every one of the 75,000 men who labored directly at the buildings two were employed somewhere preparing materials.

Every Easter 300,000 visitors to the Center see the Spring display of flowering trees and shrubs; and throughout the year the total of its visitors and business population averages 151,000 daily, a figure surpassed by the population of only 56 cities in the United States.

Read on the Run—Of 1,691 daily newspapers in 1,435 towns, 511 are equipped to print color on any page, according to a directory listing newspapers qualified for color advertising. The Branham Company, New York City, publishes the directory. . . . Carl W. Ruprecht, advertising manager for Underwood-Elliott-Fisher Co., New York, is marketing an invention of his own: Dog Master, the Automatic Dog Leash. It has a spring gadget to keep it taut and reel Rover in; and a brake to curb his headlong rush.



DO YOU KNOW THAT *Leasing* your salesmen's cars COSTS LESS THAN OWNERSHIP?

Nothing peps up a salesman more than driving a brand new car of latest model each year. The R. A. Company's leasing plan makes this possible and, in addition, absorbs the costs of all items of service, maintenance and repairs. Based on the average mileage of salesmen, your total cost per mile of operation, including gasoline and oil, should not exceed 3½ cents. Under our plan, the higher the mileage the less the cost per mile as our leasing rate remains standard regardless of mileage.

Your salesmen are relieved of all financial worries and other responsibilities of personally owned cars. As the actual cost of operating cars depends greatly upon geographical conditions, your company by applying our plan is forever relieved of the task of trying to establish an *equitable mileage or other allowance system satisfactory to all salesmen.*

There is no restriction on mileage or use of cars at any time. Use of decalcomania, trade-mark, permitted.

Our annual leasing charge per car, *including service and maintenance*, is considerably less than the cost of a new car. In many instances, savings under our plan have been one-third to one-half former costs.

Why not start now to effect these savings?

Phone or write for complete details of the R. A. Company's Leasing Plan.

UNDER THE R. A. COMPANY'S PLAN YOU GET:

A brand new Dodge, Plymouth or Chevrolet of latest model every 12 months.

License plates in whatever states operated. Fire, theft and collision insurance.

Replacement of cars without additional cost if stolen or destroyed by fire, collision or otherwise.

All items of service, maintenance and repairs.

Tire repairs and new replacements.

Chains and anti-freeze.

Grease.

Present equipment of your company or salesmen purchased by us for cash, if desired.

Now serving more than 100 national companies and operating in all of the 48 states.

The R. A. Company

PIONEERS IN FLEET AUTOMOBILE LEASING

G. J. EGAN, New York Manager 300 Morris Bldg. and 1421 Chestnut St.
122 E. 42nd St., New York City (AShland 4-9653) Philadelphia, Pa. (Rittenhouse 2390)

"ONE HORSESHOE IS GOOD LUCK
—But a Load of Horseshoes is Nothing but Junk" . . .

—Credited to MARK TWAIN

But—if you have enough junk and sell it at good prices you will end with good profits—and that is good luck, and good management.

The James Flett Organization of Chicago, ran a one-column test advertisement ("More Money for Scrap") in June, 1940 *DUN'S REVIEW*.

On October 1, 1940 Mr. James Flett wrote:

"We received sixteen inquiries that we can identify as coming from this advertisement, and from the sixteen inquiries we were able to secure two customers. These two customers, in the course of the period covered by the contracts they have made with our Company, will pay about twenty times the cost of the advertisement. . . ."

This experience demonstrates again that chief executives of large companies are responsive to basic appeals affecting their business. Reprints of other successes are available.

CREDIT POLICIES *in a* DEFENSE ECONOMY

(Continued from page 12)

are thereby really given a chance to start the dance of the dollars of which they are so ominously capable. In that event, business has the responsibility of not making a basic situation worse by adding ideas of its own.

There is no special moral to be drawn from all this in the name of credit practices and policies. Many of us become very careful and very severe in checking credit lines when

the going is rough, and yet when the firms that have survived up to that point have perhaps demonstrated that they are too tough to be blown away, when a good man's need is principally for a helping hand, when the business world is slap-happy from profits and prospects, when salesmen do not sell but merely put in modern furniture and create new vice-presidents in charge of this and that, and

when we are riding for a fall as sure as God made little apples, then we are very apt to pass credit applications more briskly, efficiently, and foolishly than in the dark days.

There are still no sky anchors. Good business statistics are the nearest thing to them, particularly those illuminating the changing relationship of inventories to sales, but if they do not fit our mood we can always file them. It is true, and very important, that this time business is still very much aware of what happened to it both in the last war and in the last boom, and keeps talking to itself about its own private four horsemen of expansion, inflation, speculation, and bust. All this may be a long, long time away. But history does not tell business at what specific point to start getting afraid. In the meantime, the government wants it to produce and bring about full employment with the new war money. And quite superior to the saving qualities of intelligence and memory, it is new history and not old that is going to blow the all-ashore whistle and tell us that the party is over.

Quest for Knowledge

It is probably perfectly true that most of the credit implications arising out of the defense program have to be hypothetical. Even this excursion into the interesting variety of forms that war business can take, or stimulate, is intended principally as a sign of the direction in which the credit grantor's eternal quest for knowledge may now turn him. He is the pirouette artist in the changing business show. He has to keep spinning in so many directions that if he painted himself red and white, he could hire out as a barber pole. His old obligations have not changed. The only significance of the new developments is that he must add a new and technical body of knowledge to the big composite already possessed.

Under present conditions a credit grantor's judgment may even at times have to be tempered by consideration solely of the public's need. Not often, because most suppliers of war material will probably be responsible and desirable customers. But others will not, and necessarily and properly there will be men getting orders for goods that they have never previously manufac-

CHEMICAL & TRUST COMPANY

Founded 1824

165 Broadway, New York

CONDENSED STATEMENT OF CONDITION

At the close of business, December 31, 1940

ASSETS

Cash and Due from Banks	\$412,508,661.15
U. S. Government Obligations, Direct and Fully Guaranteed	219,030,693.77
Bankers' Acceptances and Call Loans	37,663,397.69
State and Municipal Bonds	59,008,234.67
Other Bonds and Investments	91,491,411.92
Loans and Discounts	124,870,569.55
Banking Houses	1.00
Other Real Estate	5,457,613.08
Mortgages	1,701,249.25
Credits Granted on Acceptances	3,932,474.04
Other Assets	2,724,435.31
	<u>\$958,388,741.43</u>

LIABILITIES

Capital Stock	\$20,000,000.00
Surplus	50,000,000.00
Undivided Profits	7,904,714.46
Dividend Payable January 2, 1941	900,000.00
Reserves, Taxes, Interest, etc.	3,368,775.53
Acceptances Outstanding (less own acceptances held in portfolio)	\$5,746,396.77 1,505,684.13
Other Liabilities	4,240,712.64
Deposits (including Official and Certified Checks Outstanding \$12,939,908.13)	319,437.90 871,655,100.90
	<u>\$958,388,741.43</u>

U. S. Government Obligations and other securities carried at \$10,209,786.35 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

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tured and probably know little about making.

Perhaps the only red light that really burns fiercely is that somewhere along the path of business expansion, whether moving under its own power, or financed by the government, or riding on commercial credit, or done with gold dollars on the barrel head, there must come a halt.

When it comes, the whole massive, creaking system of production, distribution, finance, and credit crashes into the stalled head of the parade and then goes into painful reverse.

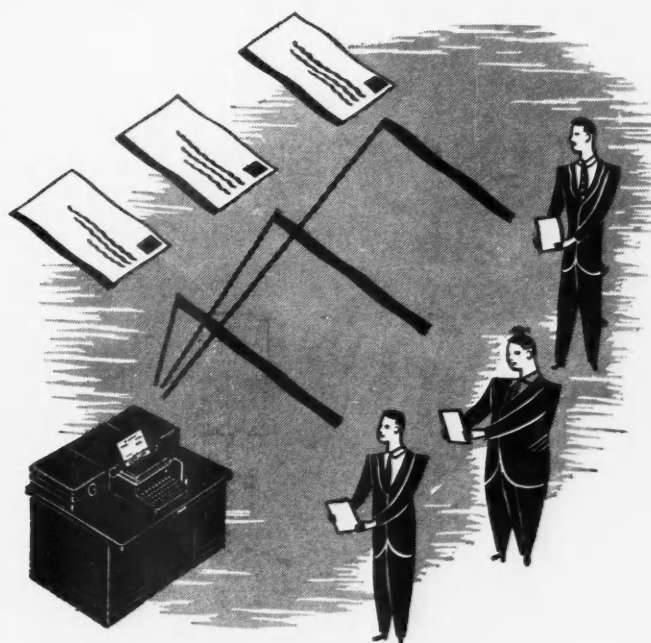
Whatever else may or may not be said about the hazards of the present artificial boom, we at least know that there is dirty weather ahead and that the need to be ready to turn down business again has not passed. That implication is not speculative. The timing is uncertain, but not the need for alertness. Whatever else they may be, war booms are anything but a sleeping pill for the business man who extends commercial credit.

BUSINESS BOOKSHELF

INTERESTING and thought-provoking is a new study of the wealth of America. It is *The Anatomy of American Wealth*, by Robert R. Doane, published by Harper, 345 pages, \$2.50.

It investigates and defines what real wealth is. The author has not accepted previous studies of wealth and resources, but instead establishes definitions and methods which he feels are more realistic and accurate. The entire concept of wealth is analyzed in terms of real assets set down by double entry bookkeeping methods. The author surveys past national inventories, definitions, and terminologies in the light of their fidelity to objective reality and attempts to achieve greater clarity in expression.

The Anatomy of American Wealth is not meant as a final, definitive treatise. It is meant as an exploration of the subject from new approaches. It presents the complicated facts of economic life while avoiding the compli-



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**PROFIT
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★ *for 1941* ★

Sales will be larger and Profits smaller for the majority of companies.

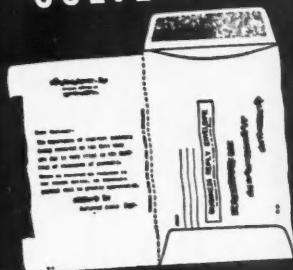
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cated words and theories usually drawn forth to explain them.

CAREFULLY drawn, a two volume biography paints the figure and career of John D. Rockefeller, Sr., against the nation-size panorama of America developing. *John D. Rockefeller: The Heroic Age of American Enterprise*, by Allan Nevins. Scribner's, two volumes, 1,352 pages, \$7.50.

Mr. Nevins does not present the stark, white or black, good or evil view which prevailed at the beginning of this century. What is considered bad is not excused, but its telling is accompanied by study of political and economic forces in the background.

Wartime Control of Prices, by Charles O. Hardy. Brookings, 226 pages, \$1.

The introduction considers in question and answer form basic problems of mobilization for war, possible sources of price distortion, effects of price inflation, and administrative machinery required to control prices. The conclusion is that a serious inflation of prices in time of war can be prevented.

Following this introductory reasoning, the book studies price control through fiscal and banking policies, indirect control, and selective control. Then it considers the machinery of control and control by fixing a price ceiling.

A second part reviews price control in the United States during the World War. This has sections covering basic materials, food administration, fuel administration, control of rents, and has a summarization of lessons of the World War experience.

Modern Annotated Forms of Agreement, by Saul Gordon. Prentice-Hall, 1,606 pages, \$10. This is a book which meets both the older problems involved in preparing contracts and the newer ones created by legislative and judicial changes. Its 69 chapters present agreement forms having many new provisions. These are designed to afford contracting parties protection against the numerous legislative acts or factual conditions which may impede or prevent the performance of agreements.

The book includes forms on sales taxes, inflation, use taxes, retail price maintenance, social security, and war.

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OVER THE EDITOR'S DESK

WHEN this number of DUN's REVIEW appears, author Edwin B. George—"Credit Policies in a Defense Economy" (page 7)—will have become a part of the defense program itself, as Chief, Priorities and Emergency Facilities, Bureau of Research and Statistics, Advisory Commission to the Council of National Defense, on leave of absence from DUN & BRADSTREET, INC.

Neither the city of Washington nor the offices of the commission will be strange to him. For the past several months he has been in touch with members of its staff. Before he came to New York, Mr. George had been a resident of Washington, where he was Executive Secretary of the Advisory Council of NRA and with the U. S. Department of Commerce.

THE reports on the Survey of Retail Operating Costs continue with "How Retail Advertising Expenditures Vary with Size of Store and Size of City" (page 13). Walter L. Mitchell, Jr., the author, is Director of Surveys in the Research and Statistical Division of DUN & BRADSTREET, INC. A later report will examine survey findings on retailers' rental expenditures.

EACH month the compiler of the Regional Trade Barometers (page 34) and this month the author of an article on their construction and use (page 21), L. D. H. Weld is Director of Research for McCann-Erickson, Inc. He has taught economics and marketing at the Universities of Washington, Minnesota, Pennsylvania, and Yale. For ten years, from 1917 to 1926, he was consulting economist for Swift & Co.

For readers who wish more data about the barometers there are available: (1) the index figures by months since January 1928 corrected for seasonal variation; (2) the figures uncorrected; (3) "How to Use the Regional Trade Barometers;" (4) "How Con-

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Lots of companies are entering 1941 heavy on inventory, but short on ready cash. If that's your fix, you don't have to forego the advantages of ample cash. Raise money for taking cash discounts, meeting current expenses, or making favorable spot purchases . . . without red tape or delay, and on favorable terms . . . by letting Douglas-Guardian Field Warehouse part of your inventory.

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For attention of.....

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Head Office • 55 WALL STREET • New York

Condensed Statement of Condition as of December 31, 1940

(In Dollars)

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS

Cash and Due from Banks and Bankers	\$1,364,824,538
Gold Abroad or in Transit	1,401,172
United States Government Obligations (Direct or Fully Guaranteed)	860,973,666
Obligations of Other Federal Agencies	40,806,922
State and Municipal Securities	148,105,462
Other Securities	67,313,993
Loans, Discounts and Bankers' Acceptances	544,312,305
Real Estate Loans and Securities	7,363,080
Customers' Liability for Acceptances	7,043,466
Stock in Federal Reserve Bank	3,915,000
Ownership of International Banking Corporation	7,000,000
Bank Premises	41,224,960
Other Real Estate	273,324
Other Assets	908,499
Total	\$3,095,466,387

LIABILITIES

Deposits	\$2,908,437,735
Liability on Acceptances and Bills	\$15,812,706
Less: Own Acceptances in Portfolio	6,075,063
Items in Transit with Branches	6,610,912
Reserves for:	
Unearned Discount and Other Unearned Income	3,910,095
Interest, Taxes, Other Accrued Expenses, etc.	5,894,067
Dividend	3,100,000
Capital	\$77,500,000
Surplus	64,500,000
Undivided Profits	15,775,935
Total	\$3,095,466,387

Figures of Foreign Branches are as of December 23, 1940.
(London as of December 21)

\$75,007,376 of United States Government Obligations and \$35,778,203 of other assets are deposited to secure \$87,014,169 of Public and Trust Deposits and for other purposes required or permitted by law.

(Member Federal Deposit Insurance Corporation)

sumer Purchases Vary with the Seasons in 29 Regions;" and (5) a list of the counties in each of the 29 regions.

These Regional Trade Barometers (indexes only; without trade reports) are also published in DUN's STATISTICAL REVIEW, mailed about the fifteenth of the month preceding the month of issue; tables only, no text, subscription price \$1 a year. Even a few days more can be gained by special arrangements. For instance, if desirable, when completed (usually about the tenth of the month) the new indexes can upon request be mailed (or even telegraphed collect) to subscribers to DUN's STATISTICAL REVIEW, thus saving for them the time involved in printing that publication.

For almost ten years Wroe Alderson—"Drug Trade Problems and Fair Trade Contracts," (page 25)—worked in the U. S. Department of Commerce on distribution cost analyses in such varied fields as drugs, groceries, hardware, confectionery, dry goods, and automotive supplies.

Later he headed an organization known as Merchandising Facts, in which he was engaged primarily in price research, to a lesser extent in consulting work on cost analysis and merchandising problems. He has been a member of the Staff of the Division of Commercial Research of the Curtis Publishing Company since 1936.

DUN'S REVIEW

290 BROADWAY NEW YORK, N. Y.

SUBSCRIPTION: \$4 a year; \$10 for three years; 35 cents a copy. Outside U. S. \$5 a year.

Willard L. Thorp, Editor; Norman C. Firth, Managing Editor and Business Manager; Edwin B. George, Walter Mitchell, Jr., A. M. Sullivan, Associate Editors; J. A. D'Andrea, Statistician; Clarence Switzer, Art Director; H. C. Daych, Advertising Manager.

DUN'S REVIEW goes to each company using the services of DUN & BRADSTREET, INC. Service subscribers may obtain additional subscriptions to the magazine for executives, branches, and so on, at special rates. . . . Published monthly, January, 1941, Vol. 49, No. 2153. . . . The contents of this magazine are indexed in its December issue and in the Industrial Arts Index. . . . Member C.C.A. . . . Copyright 1941, DUN & BRADSTREET, INC.

More detailed breakdowns of those statistical data compiled by the publishers—business failures, bank clearings, building permits, price indexes, regional trade barometers which are summarized and interpreted each month in DUN'S REVIEW (see pages 34-43)—are published monthly in DUN'S STATISTICAL REVIEW, tables only, no text, \$1 a year; \$2 outside the United States.

